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Tokyo market fall deepens Japan's economic gloom

Gloom over the Japanese economy intensified as the Tokyo stock market plunged 2.2 per cent, closing below the 19,000 level for the first time in eight months. The fall is another blow to Japan's financial system, which is already staggering from the failure this week of Muramoto Construction, the biggest postwar corporate collapse. Page 18

Hume briefs Major: There would be "peace within a week" in Northern Ireland if his joint peace initiative with Sinn Féin leader Gerry Adams was accepted, Social Democratic and Labour party leader John Hume told British prime minister John Major. Page 10

Early EMI role suggested: Belgian finance minister Philippe Maystadt suggested that the planned European Monetary Institute could start actively co-ordinating the monetary policies of EC member states with low inflation after it starts operations in January. Page 18

Yeltsin attends cathedral reopening

Russian president Boris Yeltsin attended a rededication service at the rebuilt cathedral of Our Lady of Kazan in Red Square, Moscow. The 17th century church, smashed to the ground in 1936 under Soviet rule, reopened in red and gold splendour to the peal of bells. The building is a few steps from the Lenin mausoleum.

Airliner skids into harbour: All 296 people aboard a Boeing 747 of Taiwan's China Airlines scrambled down escape chutes to safety after the airliner skidded off a rain-soaked runway into Hong Kong harbour during a severe tropical storm. Twenty-three people were taken to hospital suffering from minor injuries and shock. Picture, Page 5

French divided on worksharing: The French Senate is to vote today on an experimental state aid plan for companies that reduce regular working hours in order to take on more employees. The plan has caused divisions in the government and parliament. Page 18

Christiania terms delayed: Christiania Bank, Norway's second biggest bank, has failed to reach agreement with the government, its main shareholder, on the terms for a public offering of new shares. The terms of the issue had been expected yesterday. Page 19

Mitsubishi earnings fall: Seven years of sales expansion at Mitsubishi Motors ended when the Japanese carmaker saw first-half sales and pre-tax profits slip against a depressed domestic market as well as pressures from a rising yen. Page 22

Damages for Elton John: A British high court jury awarded rock star Elton John £350,000 ($518,700) in damages over a Sunday Mirror newspaper story which falsely suggested he was on a bulimic "diet of death".

Hosokawa compromise: Japanese prime minister Morihiro Hosokawa called for a quick compromise with the opposition Liberal Democratic party on plans to reform the corruption-prone political system. Page 5

Chrétien assumes office: Jean Chrétien, 59, took over as Canada's 20th prime minister, returning his Liberal party to office after nine years of Conservative rule. He quickly named his cabinet. Page 6

Globex struggle: Chicago Mercantile Exchange chairman Jack Sandner tried to gain the initiative in the struggle for control of Globex, the troubled electronic futures system. Page 19

Japanese cut bonuses: Japan's leading electronics companies are to cut bonuses, an important part of employees' income, to the lowest level for 18 years. They set bonuses at an average of around five months' salary, the third annual decrease in a row. Page 5

EC trade concessions: The European Commission agreed on significant trade concessions to Russia as part of its effort to get a new EC trade and political agreement in advance of the Russian general elections next month. Page 8

Boeing plans combat aircraft: Boeing is making a bid to return as a leading combat aircraft manufacturer. Page 8

■ STOCK MARKET INDICES		
FT-SE 100:	3,149.9	(-13.3)
Yield	3.74	
FT-SE Eurotrack 100	1,385.93	(-15.18)
FT-A All-Share	1,554.54	(-0.4%)
Nikkei	18,949.79	(-431.45)
New York lunchtime		
Dow Jones Ind Ave	3,656.72	(-6.15)
S&P Composite	461.36	(-1.66)
■ US LUNCHTIME RATES		
Federal Funds	3%	
3-mo Treas Bills: Yld	3.137%	
Long Bond	101½	
Yield	6.134%	
■ LONDON MONEY		
3-mo Interbank	5½%	(5⅞%)
Liffe long gilt future:	Dec 114¼	(Dec 114⅞)
■ NORTH SEA OIL (Argus)		
Brent 15-day (Dec)	$16.13	(16.24)
■ Gold		
New York Comex (Dec)	$372.3	(368.0)
London	$372.5	(364.45)

■ STERLING		
New York lunchtime:		
$	1.478	
London:		
$	1.4765	(1.4805)
DM	2.51	(2.5075)
FFr	8.745	(8.7375)
SFr	2.225	(2.2225)
Y	158.25	(158.75)
£ Index	80.8	(same)
■ DOLLAR		
New York lunchtime:		
DM	1.69775	
FFr	5.9115	
SFr	1.5038	
Y	108.25	
London:		
DM	1.698	(1.693)
FFr	5.91	(5.9025)
SFr	1.503	(1.5015)
Y	108.3	(107.25)
$ Index	65.5	(66.3)
Tokyo close Y 107.93		

Austria	Sch30	Greece	Dr300	Lux	LFr65	Qatar	QR12.00		
Bahrain	Din1.250	Hong Kong	HK$18	Malta	Lm0.60	S.Arabia	SR11		
Belgium	BFr65	Hungary	Ft185	Morocco	MDh13	Singapore	S$4.10		
Bulgaria	Lev25.00	Iceland	IKr215	Neth	Fl 3.75	Slovak Rp	KSL45		
Cyprus	C£1.00	India	Rs45	Nigeria	Naira45	South Africa	R12.00		
Czech Rp	CZK45	Israel	Shk8.00	Norway	NKr16.00	Spain	Pts210		
Denmark	DKr15	Italy	L2700	Oman	OR1.50	Sweden	SKr15		
Egypt	E£4.50	Japan	Y500	Pakistan	Rs35	Switz	SFr3.20		
Finland	FM12	Jordan	JD1.50	Philippines	Peso45	Syria	S£50.00		
France	FFr8.00	Kuwait	Fils.600	Poland	Zl 22,000	Tunisia	Din1.250		
Germany	DM3.20	Lebanon	US$1.25	Portugal	Esc215	Turkey	L8000	UAE	Dh11.00

German doctors call for calm over Aids scare

By Ariane Genillard in Bonn

DOCTORS yesterday called for calm as tens of thousands of Germans swamped switchboards at hospitals and health centres to inquire about Aids tests in the wake of a contaminated blood scandal.

"The panic should stop. This hysteria is completely caused by politicians who have lacked any commonsense," said Mr Karsten Vilmar, president of the German doctors' association.

Hospitals and local community health offices were flooded with telephone calls all day as Germans asked to undergo tests for HIV, the virus which causes acquired immune deficiency syndrome. Some doctors said that their patients were postponing operations until they could be guaranteed safe blood.

The panic followed statements by public health experts urging people who suspected they might be contaminated to be tested for HIV. Mr Horst Seehofer, the federal health minister, urged anyone treated with blood products since 1980 to be tested.

In Lower Saxony, the ministry for social affairs said anyone who had received blood since 1982 should be tested.

"We have had people calling non-stop and all we can do is direct them to the hospital departments which took care of their operations," a receptionist at the Johannita hospital in Bonn said.

"We can't answer all the calls, there are just too many," said Ms Christa Mueller-Breitkreutz, head of the local health agency in Bonn. "We can't get on with other work."

Ms Joerg Huber, spokeswoman for the health ministry in Baden-Württemberg, said special advice centres in hospitals and local health offices in the state, and hotlines to its health ministry, were now working flat out.

Last month, Mr Seehofer announced the federal health office had failed to reveal about 373 cases of HIV infection after transfusions. Most of the cases predate screening for HIV, which began in 1985.

But fears have grown after the beginning of a federal investigation into UB Plasma, a German company selling blood. The company was closed down by authorities a week ago. Police have arrested four UB Plasma workers, including its chief executive, and charged them with fraud and negligent killing. The company supplied at least 54 hospitals in Germany with plasma.

Norway and Italy announced they were removing from the market products distributed by UB Plasma. Health authorities in Switzerland said all blood products in the country are tested for HIV.

"I would not recommend anyone to take an Aids test unless he or she is very nervous and wants to be calmed," said Mr Franz Beigel, head of the department of immunobiological products in the Swiss federal office for health.

A German law, introduced in 1985, requires that all blood products be tested for HIV. But UB Plasma is suspected of having violated this requirement because of lack of funds.

Health authorities from the German federal states met yesterday to debate greater supervision of companies selling blood products and to make sure information is passed between states. "The chances of blood being infected with the virus are extremely small. People should also be told this", Mr Vilmar said.

Fears frow over tainted blood, Page 2

EC delegation hears litany of complaints

Yeltsin accused of impeding fair Russian election

By John Lloyd in Moscow

PRESIDENT Boris Yeltsin is thwarting a free and fair election by depriving opposition parties and groups of media coverage and facilities to organise ahead of the polls due in December, a European parliamentary delegation was told in Moscow this week.

Allegations of corruption have also been made against some of the parties trying to collect the required 100,000 signatures needed by midnight tonight to qualify for registration.

At least 32 main parties are trying to gather the signatures and most are likely to qualify.

Ms Magdalena Hoff, leader of a delegation of European Community parliamentarians which visited Moscow this week, heard a litany of complaints about the electoral process, the most serious from parties on the communist left and nationalist right.

The strongest allegation came from Mr Sergei Baburin, leader of the Russian National Union and a former hardline deputy, who said that his telephone and those of many of his colleagues had been cut off and he had been told he could meet foreign correspondents in his home only with the permission of the authorities.

Mr Baburin said that the home telephones of all those deputies who had stayed in the Russian parliament throughout the siege had been cut. He said the loss of communications made it difficult to organise the collection of signatures.

Mr Genady Zyuganov, leader of the Russian Communist Party, said he had written to Mr Vladimir Shumeiko, first deputy prime minister, asking for a meeting to protest against media bias – but had received no reply.

"At the moment, news broadcasts begin with [Mr Yegor] Gaidar [the first deputy prime minister and head of the liberal Russia's Choice group] and end with Gaidar."

Like Mr Baburin, he complained bitterly over about the continued suppression of far right and left papers, such as Sovyetskaya Rossiya and Den.

From the centrist groups Mr Arkady Volsky, leader of the Civic Union, said that the press – much of it still subsidised by the state – was heavily biased in favour of the pre-presidential groups, such as Russia's Choice.

He had told Mr Hoff, he said, that "we don't need observers on election day, we need them now".

Mr Nikolai Travkin, leader of the Democratic Party, said the presidentially appointed heads of administration in the regions and republics had been told to use their offices to gather signatures for themselves.

He said calling elections on a tight schedule with unclear rules "had one justification – securing the legitimacy of the current power. It is political piracy." He admitted, however, that it could avert a social explosion.

Most of the main groups now claim to have or be near to securing the signatures needed for registration – but there are numerous allegations of buying votes.

Mr Volsky said votes were being bought for packets of cigarettes (though not by his group) – while the daily Izvestia gave a number of instances, witnessed by its correspondents, of candidates paying what appears to be a going rate of 100 roubles (about 6p) per signature.

Powers of persuasion, Page 16
Russian wait on aid, Page 2

Comfort: Georgian leader Eduard Shevardnadze embraces a woman in the city of Senaki. He has spent the last few days supervising front line operations in the republic's civil war Picture: Associated Press

Kurdish separatists blamed for wave of attacks

By Rachel Johnson in London

KURDISH separatists were suspected of being responsible for a wave of attacks across Europe yesterday, in which a man was killed in Germany and damage was caused to embassies, airline offices and commercial property in London, Copenhagen, Switzerland and Vienna.

The PKK, the banned Kurdish Workers' party, did not claim responsibility for the precisely co-ordinated sledgehammer and firebomb attacks, but police had little doubt that Kurdish separatists had carried them out.

It was the second campaign of simultaneous attacks in five months. In June, Kurdish militants attacked Turkish diplomatic missions, numerous travel agencies and banks in several European cities.

A document left at the Turkish embassy in London – one of four Turkish premises firebombed – said the attacks were a protest against Turkish treatment of Kurdistan and the "massacre in the town of Liçe on October 22".

In that incident, Turkish troops shelled the town after a gendarme general was shot.

The attackers said they would resist the efforts of Mr Suleyman Demirel, the Turkish president,

Continued on Page 18

Volvo chairman optimistic about Renault merger

By Hugh Carnegy in Gothenburg

MR Pehr Gyllenhammar, the chairman of Volvo, insisted yesterday that the chances were "very good" of overcoming shareholder resistance to the proposed merger of the Swedish group's car and truck operations with France's Renault.

He said he took criticism in Sweden of his role in the affair seriously. However, he intended to remain as chairman and keep his designated post as head of the supervisory board of a merged Renault-Volvo until it had achieved "a successful departure".

One of Mr Gyllenhammar's toughest critics, the small shareholders association Aktiespararna, yesterday called on Volvo to drop the merger plan entirely, saying it had fundamental flaws. Aktiespararna's opposition was instrumental in forcing Volvo last week to postpone until December 7 a vote on the deal by its shareholders.

But Mr Gyllenhammar said in an interview with the Financial Times that the company's board and management were optimistic they would overcome shareholder objections. These focus on lack of information on the value of the merger, the timetable for Renault's privatisation and the French government's plans to hold a "golden share" in the merged company after Renault is privatised.

"We find very few who don't believe we can make more money for shareholders together than separately," Mr Gyllenhammar said. "If we can address these other concerns – give more clarification, perhaps get positive news on privatisation – then we think the chance is very good."

Volvo was seeking help from Paris on the issue of the golden share, despite French insistence that it was non-negotiable. Swedish shareholders are alarmed that Volvo may eventually be forced to lower its proposed 35 per cent share in the merged company to 20 per cent.

"We don't like it either, but it is part of their legislation," Mr Gyllenhammar said. "We are trying to get an interpretation or assurances that it would only be applied under certain circumstances or, if applied, how it would work."

However, the Volvo chief insisted it would be a "serious mistake" to stop the merger.

Small shareholders, Page 20

EU poses question of definition for Bonn

By Quentin Peel in Bonn

THREE days after the inauguration of the European Union, as laid down in the Maastricht treaty, the ruling parties in Germany are urgently seeking to redefine the concept.

It does not mean a close-knit federation of states, nor does it mean a loose-knit confederation, according to Mr Peter Hintze, the secretary general of Chancellor Helmut Kohl's Christian Democratic Union. Those are "old concepts".

He suggests the much vaguer idea of "an association of states", as proposed by Germany's constitutional court in its opinion on the Maastricht treaty last month.

It sounds like a terrible defeat for dedicated European federalists, including Mr Kohl. Yet it is not, says Mr Hintze. It is just a change of names.

Mr Hintze's embarrassment, at a press conference yesterday to launch the party's pre-European election campaign, was obvious. He was seeking both to distance himself from, and yet show some sympathy for, the views of Mr Edmund Stoiber, prime minister

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Kurd separatists turn to terror

Wave of attacks across Europe shows deepening crisis in Turkey

By John Murray Brown in Ankara

THE attacks on Turkish targets in Europe yesterday reflect the increasingly desperate measures being taken by Kurdish militants to draw attention to their cause.

They also coincide with an unprecedented wave of violence in Turkey's Kurdish speaking south-east region.

In the last 10 days, more than 130 people have been killed, of whom 77 were civilians from pro-government villages, allegedly murdered by the Kurdish Workers' Party (PKK).

The deepening crisis has already forced the prime minister, Mrs Tansu Çiller, to reshuffle her cabinet, and diplomats believe the latest incidents will force her to cede further powers to the military in fighting the PKK.

"These outrages show once again that the PKK is a terrorist organisation and that governments in Europe must now curb its activities," a foreign ministry official said yesterday.

The Turkish right wing was already calling for punitive measures, ahead of next week's key parliamentary debate on extension of emergency rule in the 13 south-eastern provinces.

The government has been trying to win cross-party support for the new draconian provisions of the anti-terrorism law. But it may fall in the absence of a clear national policy on the Kurds.

Mrs Çiller's own party is concerned that the military may use its extended powers to impose martial law in the region, with the government appearing to have given up the pretence of normal civilian rule in the region. Ankara already has an estimated 150,000 troops in the area, and is preparing to send 7,000 special forces in early December.

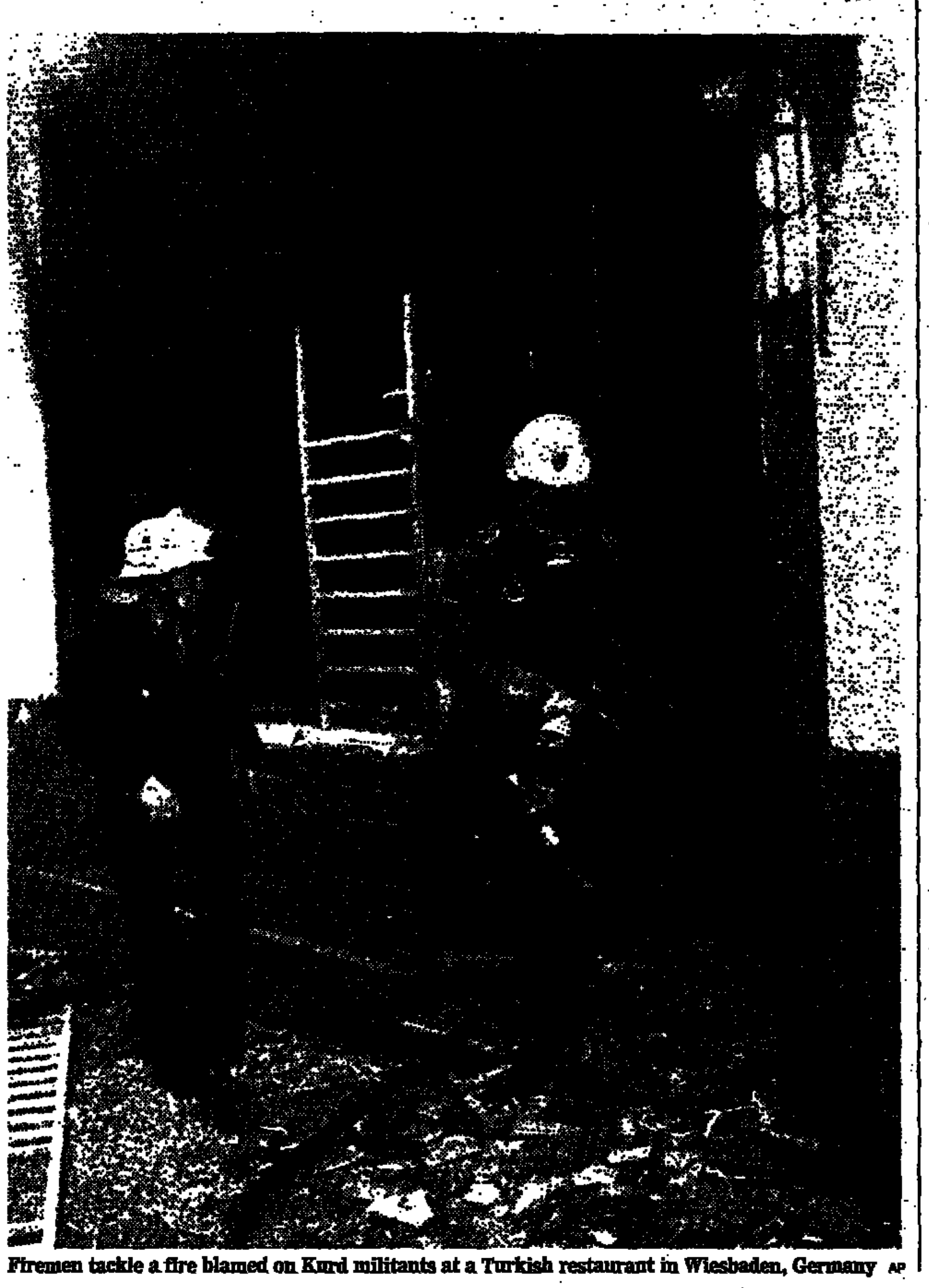
Last week, the government announced the cancellation of all public works in the region, after reports that contractors were being forced to pay protection money to the PKK.

Basic services such as primary schools have become targets, with television carrying gruesome footage of six young teachers murdered last week, apparently by the PKK. More than 700 schools in the Diyarbakir area alone are now closed.

Meanwhile, local officials are adopting desperate ad hoc measures. In Erzurum province the local governor's office is arming Turkish villagers, in the wake of bloody attacks by the PKK.

Large numbers of local party officials have resigned, after threats from the PKK, and five mayors are reported to have disappeared. The PKK also last month warned all offices of the "bourgeois" press to withdraw from the region.

It must now be increasingly unlikely that the government can hold municipal elections in the region in March as planned, which would be a further evidence of the PKK's tightening grip on the region.



Firemen tackle a fire blamed on Kurd militants at a Turkish restaurant in Wiesbaden, Germany AP

German fears grow over tainted blood

By David Waller in Frankfurt

UB Plasma, based in Koblenz on the banks of the Rhine, has suddenly become Germany's most-hated company. Since it was closed down on Thursday last week, newspapers and television programmes have been carrying pictures of deserted rooms where donors used to give blood.

Police have arrested four UB Plasma workers, including its chief executive, and charged them with fraud and negligent killing in an affair that has set millions of Germans wondering if they may have caught Aids from a routine hospital operation.

Prosecutors yesterday said they were investigating allegations that the company knew it was distributing plasma containing HIV, the Aids virus.

Public prosecutor Norbert Weise said an employee of Koblenz-based UB Plasma had told investigators the company passed on blood supplies and products despite the fact that tests showed them to be HIV-positive.

The company employed 10 people and is believed to have imported plasma from abroad before mixing it into "pools" with blood from up to 7,000 of its own donors.

It supplied at least 54 hospitals in Germany with its plasma, as well as clinics in other countries. Five of the intermediaries have so far been identified.

First reports of irregularities at the firm date back to 1986 when a former employee of the firm complained to authorities in the state of Rheinland-Pfalz where the company is based that it had been selling contaminated products. There were further complaints in 1991 and in summer this year the Bonn Health Ministry told authorities in Rheinland Pfalz about fresh suspicions.

The State Prosecutor for the city of Koblenz told German newspapers this week that the company was heavily indebted, one reason why it may not have implemented adequate tests.

Refugees entering Germany on decline

THE number of asylum applicants seeking refuge in Germany last month totalled 18,860, nearly the same as the previous month, but two-thirds lower than the same period last year, the federal interior minister announced yesterday, writes Judy Dempsey in Berlin.

The figures are expected to fall further in view of the new asylum law, scrapping article 16 of the constitution giving asylum seekers an automatic right to stay in Germany, which came into force in July. It also cut the monthly living allowances to asylum seekers on Monday, from an average of DM588 (£238.40) to DM440. There were further cuts in clothing and medical funds.

Nearly half the refugees entering Germany last month came from the former Yugoslavia, a trend which has continued unabated since the war erupted in June 1991. Germany has provided refuge to over 480,000 inhabitants from the region. Since January, over 73,000 refugees, including 18,300 from Bosnia, have settled in the country.

Romanians account for the second largest group. Over 72,000 have entered Germany since January, including 1,400 in October. Many of the refugees belong to the Gypsy community, or are poor.

The interior ministry said these numbers were slowly decreasing largely because amendments to the law meant border guards could send back individuals if they entered from a third, safe country. The authorities have decided on 41,000 cases, of which 4.4 per cent have been allowed to stay.

Kopper defends banks' success in recession

By David Waller in Frankfurt

GERMANY'S leading private sector banker yesterday delivered a ringing defence of the role of banks in the country's economy.

Mr Hilmar Kopper, chief executive of Deutsche Bank, denounced "the sweeping disparagements" of newspapers and politicians who have denounced the power and prosperity of the the big German banks amid the country's worst recession since the second world war.

Germany's big commercial banks enjoyed a record year last year and the increase in profits have been sustained this year, despite a worsening of the domestic credit environment, because of buoyant conditions in world securities markets.

This has been in marked contrast to the ill fortune of the industrial sector and has led to criticism that the banks are profiteering at their customers' expense, for example, by not passing on the benefits of falling interest rates.

Mr Kopper delivered his remarks to an audience of senior businessmen gathered to celebrate the opening of the Trianon tower, the bank's third skyscraper in the heart of Germany's financial district. The ceremony was in itself a celebration of the bank's immunity to the downturn.

Mr Kopper told his guests that the stability of the German banking system was the envy of the rest of the world. He reminded them that banks which did not make profits ended up being bailed out by taxpayers, pointing to the US, where taxpayers have had to find $180bn to rescue the savings and loans organisations.

The German universal banking system –, which allows banks to undertake all manner of financial services business under one roof – may have its faults, Mr Kopper conceded, such as lack of transparency. But it was still the best banking system in the world.

Russia may not secure fresh aid this year

By John Lloyd in Moscow

RUSSIA is unlikely to receive further funding from the international financial institutions or the Group of Seven industrial countries this year, according to senior G7 officials.

This is in spite of strong pressure from Mr Boris Fyodorov, the finance minister.

Introducing a new package of austerity measures yesterday, he said the second, $1.5bn tranche of the systemic transformation facility from the International Monetary Fund should be paid by the end of the year – a much-needed sign of confidence in the reform process.

However, foreign observers say inflation, at between 21-24 per cent in September alone, is not yet on a firmly declining trend, while the budget deficit will reach at least 10 per cent of gross national product this year in spite of efforts to trim it.

The provisional budget deficit for the fourth quarter – set at Rbs5,200bn - is seen as unachievable because it would invole cuts to agricultural credits and other programmes which cannot be reduced without grave damage to the country's economy.

This means the IMF's second tranche is unlikely to be seriously considered until early next year, by which time a new government will be in place as a result of elections on December 12.

The government has been working to an economic plan which was agreed with the IMF for the final three months of the year, but has met few of the targets for inflation, budget deficit or credit flows. Hostility between Mr Fyodorov and Mr Viktor Gerashchenko, the central bank chairman, remains strong, hindering efforts to achieve an agreed level of credits and to co-ordinate the fight against inflation.

Russia is pressing for a meeting with G7 finance and foreign ministers in Moscow in either December or January, to review the progress of reforms.

Lithuania and Poland haunted by old conflicts

By Matthew Kaminski in Vilnius

HISTORY'S ghosts are again straining relations between Lithuania and Poland.

The latest dispute, ironically, centres on a prospective friendship treaty – and illustrates the barriers to co-operation and potential for friction across eastern Europe.

Since negotiations began in July, Lithuania has demanded that Poland admit the 1920 annexation of Vilnius, the capital, by the Polish General Lucjan Zeligowski was illegal.

The temporary loss of Vilnius remains a bitter pill in Lithuania, and a potent symbol for the right.

On the barricades around parliament, left over from the television tower battle with Soviet troops three years ago, a large hand-scrawled slogan reads "Ribbentrop-Molotov-Zeligowski", drawing together the German, Russian and Polish figures who cut up the Baltic country this century.

But the Polish government refuses to take the historical blame, partly out of concern that this would place the legal rights of the Polish minority – around 18 per cent of Vilnius' and 8 per cent of Lithuania's 3.7m population – in jeopardy, in that they could be be seen as illegal colonists.

The roots of the conflict go back to 1385 when the two states united and eventually formed the formidable Polish-Lithuanian Commonwealth, which ruled from the Baltic to the Black Seas. By 1920, Vilnius had an overwhelming majority of Polish and Jewish residents, and few Lithuanians.

Today's Polish community is a fraction of the pre-war population, and presses for political and language rights.

But at the Polish-Lithuanian border, the dispute over Gen Zeligowski's annexation has held up progress on opening the frontier. Cars and trucks still queue up for as long as a week, holding up trade at an important link between central and northern Europe. Partly as a result, the Via Baltica project, a 1000km super-highway connecting Germany with the Balts and Finland, remains a distant dream.

Lithuania's tattered economy has benefitted little from a common border with Poland, its wealthiest neighbour. Foreign investment, essential to recovery, has been a disappointment: Poland still has the most joint-ventures in Lithuania, but total capital inflow will be only $40m this year, according to World Bank estimates.

A fifth round of negotiations with Poland's government is expected to start soon.

Mr Czeslaw Milosz, a Polish writer and Nobel laureate who grew up in Vilnius, says the Lithuanian right has opened a "Pandora's box" on the issue. "There comes a time when we have to say: no more, for the common good of these nations."

But Mr Tomas Venclova, a leading Lithuanian poet and Yale literature professor, believes quite the opposite. The whole world, including Poland, must see "that Vilnius belongs to Lithuania," he recently told Kurier Wilensky, a Polish language daily.

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Region heading for a 'humanitarian disaster', says mediator

Owen gloomy over Bosnia

By Frances Williams in Geneva and Laura Silber in Belgrade

LORD OWEN, the European Community's mediator on the former Yugoslavia, yesterday said no initiative could avert a disaster in the region this winter unless it embraced a peace settlement, and he saw no early prospect for a resumption of peace talks.

"All three sides have made the decision to go on fighting," Lord Owen told a news conference in Geneva. "We are heading for a very nasty humanitarian disaster this winter and the question is not if, but when," he said.

Meanwhile, a defiant Mr Slobodan Milosevic, the Serbian president, yesterday ruled out participation in a new peace conference on former Yugoslavia while Serbia remains under UN sanctions. The United Nations 17 months ago imposed trade sanctions, including an oil embargo, on Serbia for its role in the violent carve-up of Bosnia. In an interview published yesterday in Belgrade newspapers, Mr Milosevic vowed not to "forgo our national and state policies because of international pressures and sanctions."

But Lord Owen told a news conference in Geneva that without a negotiated peace settlement the war would continue and so would interference with food and fuel supplies destined for the civilian population. "If there is no settlement, many thousands will lose their lives this winter," he said.

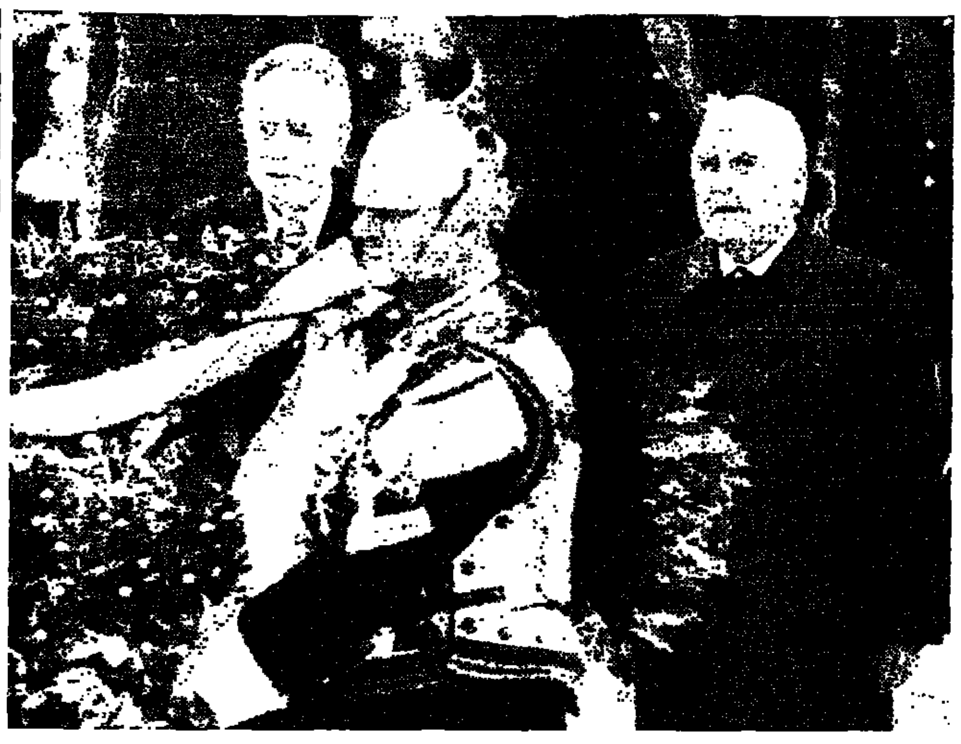
The EC envoy expressed particular regret that President Franjo Tudjman of Croatia had publicly revealed the existence of secret talks in Norway this week between the Zagreb government and rebel Serbs, calling the timing "unfortunate". Mr Geert Ahrens, who represented Lord Owen and Mr Thorvald Stoltenberg, the United Nations mediator, at the talks, said yesterday that no further meeting was planned after the breakdown of the talks on Wednesday.

Lord Owen, meanwhile, described as "nonsense" the "no peace, no war" scenario some have painted for Bosnia. There might be "some dulling of the war" during the winter, but all three sides had a strategic interest in preventing power and other supplies from aiding the others to rebuild military strength.

In September, the Bosnian government side rejected a peace plan based on a three-way ethnic division of the country. But Lord Owen said it almost baffled belief that so many lives could be put at risk over "a very small" percentage of land, which would raise the Moslem share from about 30 to 34 per cent.

Bosnian Moslem troops yesterday marched into Vares, central Bosnia, consolidating their hold over the region.

Soldiers planted a green flag with Arabic lettering in the main square of Vares after Bosnian Croat forces abandoned the town, said eyewitnesses.



Associated Press

President Scalfaro and Premier Ciampi at Italy's World War One victory anniversary yesterday

Ferruzzi heirs in suit for damages

By Haig Simonian in Rome

THE DRAMA of Italy's Ferruzzi family, once among Europe's wealthiest clans and now diminished by the collapse of the multinational group it once controlled, shows no sign of abating.

Three of the four heirs of Mr Serafino Ferruzzi, the group's founder, have launched one of Italy's biggest claims for damages.

The legal action is against Mrs Idina Gardini (née Ferruzzi), the wife of the entrepreneur Mr Raul Gardini, who guided Ferruzzi for much of the time after Mr Ferruzzi's death in 1979.

Mr Gardini, who shot himself earlier this year after becoming embroiled in Italy's political corruption scandal, gave up control of Ferruzzi in July 1991 following a family rift.

Mrs Gardini received L505bn (£206m) from her relatives for her 23 per cent stake in the family holding company, which controls the quoted Ferruzzi group, and the two families parted company.

In the suit, launched in the Ferruzzi's home town of Ravenna, Mrs Gardini's relatives are reclaiming the L505bn, plus interest, along with a further L1,600bn in damages to cover the alleged "nullification" of their stake in Ferruzzi caused by Mr Gardini's alleged mismanagement.

The group, which has borrowings of more than L28,000bn, has been effectively controlled by a pool of creditor banks since reporting financial difficulties in May.

Credit crunch arrives for Spain's munificent seven

Free-spending cities have run out of cash, writes Tom Burns

LAST WEEK a third of the Malaga city council's telephone lines were cut off for 24 hours. An extremely irritated Telefonica, the national telecommunications company, had become fed up with city hall's unpaid bills.

Now creditor banks of the Costa del Sol resort are becoming fidgety about Malaga's ability to service a total estimated debt of Pta35bn (£177m).

Mr Hilario Lopez Luna, Malaga's deputy mayor and its chief financial officer, yesterday obtained an emergency credit from the central government to meet financial charges totalling Pta700m which the city was unable to pay to a group of domestic and foreign banks, led by Banco Bilbao Vizcaya, at the end of last month.

He also began negotiations with another team of creditor banks, led by Bex, a unit of the state-controlled Argentaria banking group, to defer payment of Pta725m in debt servicing which is due next month.

Malaga, the fifth largest city in Spain with a population of more than 500,000, was forced to default last month in order to meet its October municipal employee wage bill.

However, Malaga is by no means the only debt-burdened Spanish city. In all, the country's 8,000 municipalities owe Pta2,400bn, half of it by Spain's seven largest cities.

At a three-day convention of the national federation of municipal and provincial councils which opens tomorrow, the mayors of the seven largest cities will lead an attempt to obtain more cash from the central administration, as well as specific help on debt renegotiations.

There are at least three components to the financial mess that has engulfed local administration in Spain: the central administration has been erratic over its cash transfers to the municipalities; the cities and towns have been extremely spendthrift; and the financial community has encouraged the cities freely to tap the capital markets.

The total deficit of the municipalities is just 7.3 per cent of Spain's overall public debt – "a mere drop in the ocean" says Mr Henrick Humbolt, the senior bond analyst at Madrid brokers FG, – and it has so far had no effect on the domestic debt market. Malaga's difficulties have none the less jolted debtors and creditors alike into concern over city finances.

> "The banks are treating the cities as if they were a sovereign risk, but there is legally no guarantee that the central administration will bail them"

"The banks are treating the cities as if they were a sovereign risk, but there is legally no guarantee that the central administration will bail them," says Mr Jaime Mariategui, a senior partner of Madrid financial analysts Research Associates. A recent report issued by Research Associates on the creditworthiness of Spanish cities warned that financial transparency at local government was limited and that the indebtedness of the cities "is undoubtedly higher than the figures, indicators and ratios would suggest."

The central government, which has seen its own deficit double in the course of this year, is in neither the mood nor the position to mount a rescue operation and it is already cutting transfers to municipalities. The draft 1994 budget, which is before the Madrid parliament, sets aside Pta597bn for the municipal compensation fund, the main source of central government funding to the cities, against the Pta700bn the municipalities had expected.

The problem at the city hall level is exacerbated by delays in making the transfers. Malaga's Mr Lopez Luna claims that the central authorities owe the city Pta2.5bn, a sum which would have allowed Malaga to meet the debt servicing charges and also pay off at least part of what is owed to Telefonica and other suppliers.

The Madrid government has however every reason to keep the cities on a tight rein. Spending by the municipalities was up 15.4 per cent last year on 1991 with personnel costs increasing by 14.6 per cent and debt servicing charges rising by 22.5 per cent. The cities complain that they are pressed to provide ever improving infrastructures and amenities by increasingly demanding urban dwellers – and mayors who keep balanced books do not get re-elected.

The party is now over and the main actors in the local government crisis will have to compromise in order to overcome the financial disarray. The central government will be forced to dig into its pockets, the municipalities will have to restrain spending and the banks will have to arm themselves with patience.

Malaga's Mr Lopez Luna insists he has made a start: municipal taxes are going up by 10 per cent.

Lira falls in the wake of corruption allegations

By Haig Simonian in Rome

INVESTORS reacted swiftly to the growing politicial strains in Italy yesterday, with sharp falls in the lira and share prices.

Government bond prices also dipped as analysts warned of greater political uncertainty in the wake of new leaks about alleged illegal payments by the security services to government ministers.

The allegations, which have been widely reported this week, forced President Oscar Luigi Scalfaro to make a surprise television address to the nation on Wednesday night. The President, who has so far remained largely immune to the corruption allegations which have cut through the political establishment, denied any involvement in illegal activities.

Leaked testimony from senior members of the security services now helping magistrates with their inquiries suggests that money was illegally channelled to some cabinet ministers over a period of years.

Mr Scalfaro is a former head of the interior ministry, which is in charge of Italy's secret service.

Senior politicians yesterday rallied round the President in an attempt to shore up one of the few political institutions still commanding widespread respect.

However, their action failed to stop heavy share sales and a sharp fall in the value of the lira, which only recovered slightly in the afternoon. The lira fell to L970.63 against the D-Mark and L1,641.14 against the dollar, compared with L965.06 and L1,636.74 respectively on Wednesday. On the Milan stock exchange, share prices dropped by almost two per cent.

The latest uncertainty comes at a difficult time for the Ciampi government, which is fighting to win parliamentary approval for the 1994 budget.

India's external debt rises to $85bn

By Stefan Wagstyl in New Delhi

INDIA'S external debts rose $3.2bn in the year to March to $85.4bn, largely because of an increase in loans from multilateral development agencies.

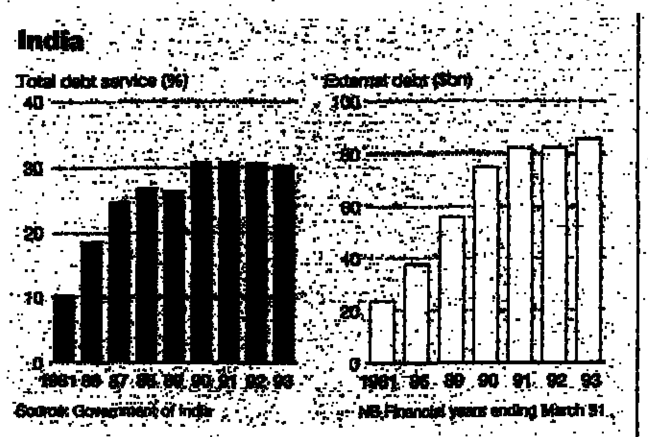
The figures were set out in a Finance Ministry report yesterday aimed at assuaging fears that India is in danger of running into a debt crisis. Critics of the government's reforms have frequently attacked Mr Manmohan Singh, the finance minister, and his colleagues for allegedly bowing to pressure from the World Bank, the International Monetary Fund and other lenders to take on debt which India cannot afford.

The report says the government is keeping a close watch on external debt. "External indebtedness as such is not an evil as long as the debt incurred is utilised efficiently. The stabilisation and structural reform measures being pursued by the government will enable the economy to utilise external loans efficiently and will enhance the capacity of the economy to repay the loans through higher exports and invisible earnings."

The report says India's external debts rose rapidly after the mid-1980s, from $37.3bn in March 1985. Total debt as a proportion of GDP rose from 17.5 per cent in 1985-86 to 40.2 per cent in 1991-92 before falling slightly to 38.3 per cent last year. (Defence-related debt is excluded in 1985-86 and included in later years.)

The ratio of debt service payments to exports and other foreign earnings rose equally fast and stood at 30.4 per cent in the year ending last March.

Citing World Bank data, the report says that at the end of 1991, India's ratio of debt to GNP was 29.2 per cent – compared with an average of 37.4 per cent for least-developed (ie poor) countries. The figure for neighbouring Pakistan was 50 per cent. India is the world's fourth largest debtor (after Brazil, Mexico, and Indonesia).



Cynicism and mayhem greet Delhi's first election

Shiraz Sidhva tests the political water in India's newly enfranchised capital

THE CITY OF Delhi, recently granted statehood after being run by India's central government since 1952, goes to the polls tomorrow to choose its own legislative assembly.

The contest, the first of five state elections this month, is primarily between the ruling Congress Party and the Hindu right-wing Bharatiya Janata Party (BJP). Two other parties, Janata Dal and the Bahujan Samaj Party, and more than 1,000 independent candidates may deny a clear majority to the larger parties.

Congress, which has ruled in India for most of the last 40 years, is increasingly blamed by many for the nation's ills. The BJP has increased its strength in the last five years from two seats in parliament to 118 in the 1991 general election sees the state elections as an opportunity get closer to power at the centre.

The Delhi campaign has been one the most colourful, if not the most riotous that the city has seen. The chief election commissioner's announcement on September 23 that Delhi would go to the polls in November, caught political parties unawares. They had been concentrating on elections in four other states, including Uttar Pradesh and Madhya Pradesh, India's largest.

Trouble erupted last month when the Congress and the BJP announced their candidates – there was mayhem in the headquarters of both parties, with disgruntled party members hurling abuse and even a flower pot at party leaders. Representatives of some factions doused themselves with kerosene and threatened to set fire to themselves if they were not included in the lists of candidates.

Responding to pressure from political parties to grant Delhi statehood, Mr P V Narasimha Rao's government amended the constitution in December 1991, providing for an assembly for India's capital city.

Though the National Capital Territory of Delhi (earlier designated a union territory) will have a chief minister and a council of ministers like other Indian states, critical areas of urban management, including law and order, land development and finance, will continue to be controlled by central government.

In political circles, the focus of the elections has shifted from civic issues like the shortage of water and electricity, to national ones, like corruption, and communal tension. But in the ubiquitous slums which mar the splendour of Mughal Old Delhi or the impressive tree-lined avenues of New Delhi, the people are only concerned about whether the promised housing schemes, a regular water supply, and metered electricity, so that they do not have to steal from poles, will materialise after the elections.

"You'd think our lives will change overnight if you listened to these politicians," says Dharam Singh, an office clerk in the Govindpuri area. "It makes no difference which party comes to power, they are all corrupt, and we suffer for it."

Delhi's 72 constituencies are festooned with streamers, sparkling lights, posters, and thousands of paper and polythene flags bearing the symbols of different parties. Flower-bedecked campaign vehicles ply the streets, bearing candidates and leaflets, and giant cut-outs of political personalities with ingratiating smiles loom at traffic junctions.

Loudspeakers at every street corner blare out impassioned pleas for votes and campaign songs sung to catchy tunes from the latest Hindi films. The big hit is an adaptation of the year's most popular and controversial film song, "Choli ke peechhe kya Hai? (What's beneath that blouse?)" which the BJP has cleverly used to ask Mr Narasimha Rao: "What's inside that suitcase?"

They are referring to allegations by stockbroker Harshad Mehta, the man at the centre of the Bombay financial scandal, that he had given Mr Rao a suitcase containing Rs10m for the prime minister's election campaign. Mr Rao was cleared by an official investigation.

New Delhi, the seat of power, has always been pampered but the sprawling extensions of east and north Delhi which have mushroomed over the past two decades are badly planned, and lack clean drinking water and electricity.

The city's transport system is one of the worst in the country, and more private cars and two-wheelers have made Delhi's roads some of the most unsafe and the polluted in the world.

Results of the polls will be announced at the end of the month, after elections are held in four other Indian states.

Malaysia looks to younger politicians

By Kieran Cooke in Kuala Lumpur

MALAYSIA'S body politic has undergone a fundamental change following elections within the United Malays National Organisation (Umno), the party which has dominated the country since independence from Britain in 1957.

A new, younger and more politically aggressive team within Umno led by Mr Anwar Ibrahim, the finance minister, looks set to gain greater influence over the running of the country.

Mr Anwar, 46, was declared Umno deputy president at a party convention yesterday. Three of Mr Anwar's supporters, all in their 40s, were also elected to leading positions, pushing aside older leaders including Mr Ahmad Badawi, the foreign minister and Mr Sanusi Junid, the agriculture minister.

Umno, a party composed entirely of Malays who make up about half of Malaysia's 18m population, controls almost all senior positions in government. It is also believed to be an immensely wealthy organisation, with close connections with many of Malaysia's leading business conglomerates.

In the past the Umno deputy president has automatically become deputy prime minister. Mr Anwar has now established himself as the successor to Dr Mahathir Mohamad, 68, who has been prime minister since 1981.

Mr Anwar has risen rapidly in politics. A former leader of Malaysia's Islamic youth league, he was imprisoned for a time in the 70s, suspected of anti-government activities.

The finance minister had been involved in an often bitter battle for the post of Umno deputy president with Mr Ghafar Babar, a veteran politician who served as Dr Mahathir's right hand man for many years.

In the past Dr Mahathir has supported Mr Anwar but analysts say the prime minister could now feel threatened by the considerable power base the finance minister has built up within the party.

Following the Umno elections, a cabinet reshuffle is now likely. Dr Mahathir might also choose to call an early general election to unite the party and prevent a possible rift developing between its older and younger members.

Polls put Bolger ahead

By Nikki Tait in Wellington

MR Jim Bolger, the New Zealand prime minister, yesterday wound up the National party's campaign in the New Zealand election, in the knowledge that the latest opinion polls show his party holding a clear lead over the main opposition Labour party among "decided" voters.

A TV3-Gallup poll, released last night, showed National with 42 per cent of the vote, among that segment of the electorate which had made up its mind. Labour trailed at 34 per cent. The two main alternative parties, the Alliance and New Zealand First, registered 13 per cent and 8 per cent respectively.

However, most recent polls suggest that the "undecided" element, although falling, is still in double digits, and Mr Bolger warned supporters that he was "taking nothing for granted".

The Labour Party also claimed that its own polling indicated waning support for the Alliance – a coalition of five left-leaning, Green and Maori parties – in key Auckland constituencies.

South Korea exercise may be suspended

The US and South Korea yesterday postponed a decision on whether to hold the joint Team Spirit military exercise next year in an attempt to persuade North Korea to resume international nuclear inspections, John Burton reports from Seoul.

Pyongyang had demanded the suspension of Team Spirit as a condition for permitting renewed nuclear inspections by the International Atomic Energy Agency (IAEA).

Mr Les Aspin, the US defence secretary, indicated after a meeting in Seoul with South Korean officials that Team Spirit would be suspended if North Korea allows IAEA inspectors access to its nuclear facilities and holds substantive talks with South Korea on the nuclear issue.

"Our patience is not unlimited," said Mr Aspin, but he added that "we are not prepared to set deadlines at this particular juncture" for a North Korean response.

Conservatives in SA talks

The South African government and the conservative Freedom Alliance ended two days of talks yesterday and agreed to meet again next week to try to resolve differences stalling the transition to black rule, Reuter reports from Johannesburg.

The two sides said they were committed to trying to finalise outstanding problems in the shortest possible time. Issues debated included self-determination, boundaries, citizenship and taxation. More bilateral talks would take place next week.

The government called the talks with the black and white pro-federalists in the umbrella alliance to try to draw them back into mainstream negotiations on the new South Africa.

Egypt tries to restart peace talks

By Roger Matthews in Jerusalem

EGYPT sought yesterday to bring Israel and the Palestine Liberation Organisation back to the negotiating table after their talks broke down last week over Israel's proposals for implementing the first stage of the outline peace agreement signed in Washington on September 13.

Mr Amr Moussa, Egypt's foreign minister, said after talks in Tel Aviv with Mr Yitzhak Rabin, Israel's prime minister, and Mr Shimon Peres, the foreign minister, he saw no reason why the negotiations should not resume on schedule next week.

However, in Cairo, Mr Nabil Sha'ath, who leads the PLO negotiating team, warned Israel that if it persisted with its proposals for only a limited army withdrawal from the occupied Gaza Strip and the West Bank town of Jericho the two sides would fail to meet the December 13 deadline for the completion of the first stage of negotiations.

"We are giving a warning, a signal to the Israelis that we cannot complete our objective in two months if they continue with this concept. It is a very early signal to the Israelis. It cannot go on this way," Mr Sha'ath said. The PLO has accused Israel of seeking to retain a military presence in over 50 per cent of the Gaza Strip instead of carrying out an almost total withdrawal.

Mr Peres acknowledged before Mr Moussa's arrival that there was a crisis in the negotiations, but appeared confident that it would be resolved.

The row over the the PLO-Israel talks may have deflected Mr Moussa from the main purpose of his visit which was to press for progress on the stalled negotiations between Israel and Syria. Egypt believes strongly that a breakthrough with Syria would be a powerful boost to prospects for an overall Middle East peace deal.

Payments reduced for a third year after profits decline

Japanese employees face bonus cuts

By William Dawkins in Tokyo

JAPAN'S leading electronics companies are to cut bonuses, an important part of employees' income, to the lowest level for 18 years.

They yesterday set bonuses at an average of around five months' salary, the third annual decrease in a row, reflecting profits declines caused by the economic downturn.

This sets the tone for other industrial sectors' bonus negotiations, due to take place over the rest of autumn. Widespread cuts are expected, a further blow to depressed consumer spending.

The electronics payout is well below demands by the Japanese Electric Electronics and Information Union, for a small rise from last year's bonus of 5.22 months' pay to at least 5.4 months. Yesterday it accepted companies' offer after "the hardest negotiation we have ever had," said Mr Katsutoshi Suzuki, its secretary general.

However, Sanyo's company union broke ranks with the industry organisation and refused the offer, a rare crack in traditionally harmonious labour relations.

"The tension is high. The union will never compromise," said Mr Yoshito Ishibashi, secretary general of the Sanyo union. He is holding out for the same bonus as last year, in cash terms, equivalent to a small reduction as measured in monthly salary terms.

Bonuses, paid in two chunks at the year end and in the summer, represent on average around 30 per cent of employees' annual income. Most workers use them to repay loans or buy consumer goods. Overtime brings in another 5 per cent and basic wages the rest, according to the Nikkeiren employers' federation.

Employers believe that it will be less painful for staff to accept bonus cuts now than risk reductions in wages, on which annual negotiations take place in the spring.

"We have started cutting overtime, and now we need to cut bonuses. If the unions agree to a large cut in the bonus, we might not have to go into wages," said Mr Takeshi Nagano, president of the Nikkeiren. "The aim is to start with the top layers of the wage structure," he said.

Hosokawa: under pressure

Hosokawa set for compromise

By William Dawkins in Tokyo

MR Morihiro Hosokawa, the Japanese prime minister, yesterday called for a quick compromise with the opposition Liberal Democratic Party on plans to reform the corruption-prone political system.

Time was running out, he told a parliamentary committee on political reform, and the government would accept a deal even if it was not entirely in the ruling coalition's favour.

Mr Koshiro Ishida, management and co-ordination minister, the government's chief negotiator on political reform, will seek a compromise at a meeting today with Mr Yoshiro Mori, LDP secretary general.

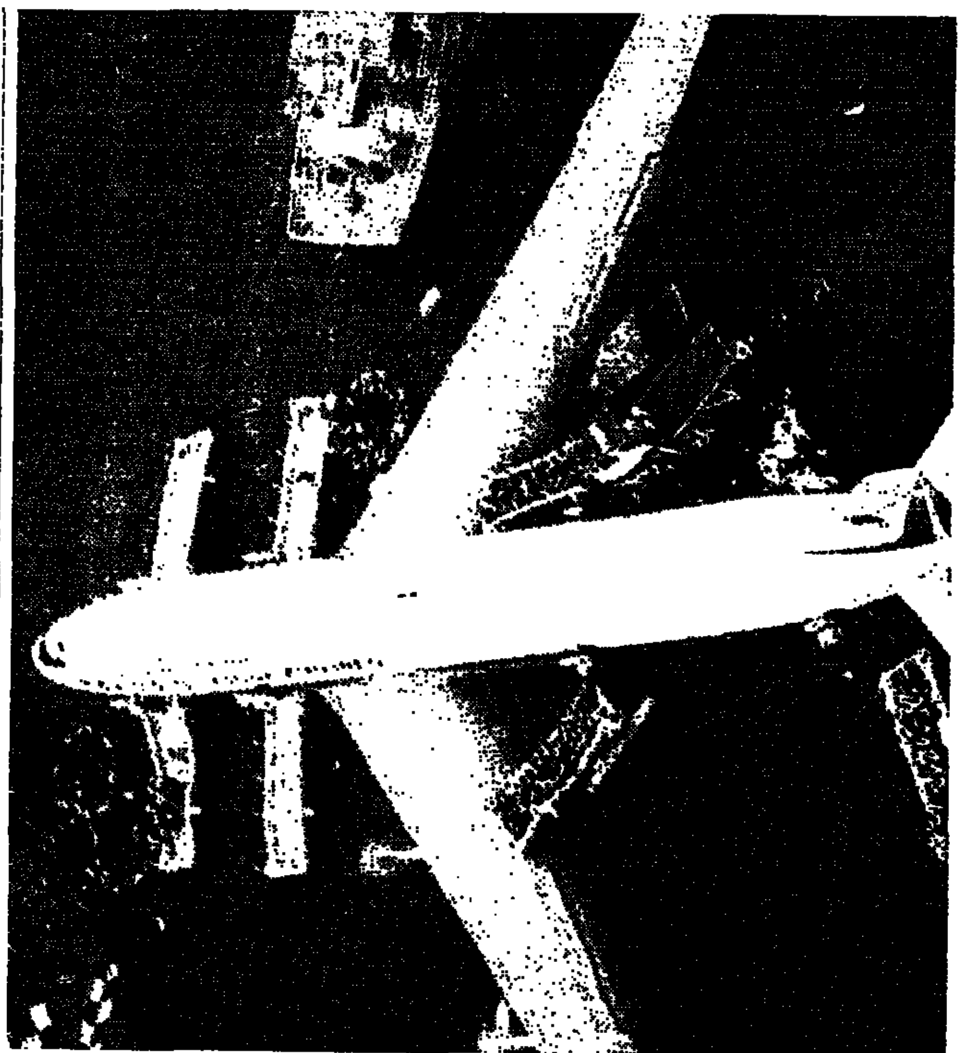
Mr Hosokawa has implied he will resign if he does not get parliament's agreement on political reform by the end of the year. The LDP lost a general election in July after nearly four decades in power, because of its failure to achieve political reform. LDP leaders do not want to block reform again, though a hard core of older party members have serious reservations about the plans.

However, the LDP has delayed the reform plans, to increase pressure on Mr Hosokawa, so the process is at least 10 days behind schedule. The government now aims to get the plans through the lower house by the middle of this month, to give the upper house a month's debate before the parliamentary session closes on December 15.

Officially, both sides share the broad aim of the government's proposals, to replace the present system of multi-seat constituencies for the lower house, with a mixture of single seat constituencies and proportional representation.

They differ over the numerical split between constituency and proportional representation seats. The coalition has proposed 250 each way, for a 500-seat house, while the LDP prefers a 471 seat house, of 300 constituency seats and 171 chosen through proportional representation.

The LDP's strong constituency organisation gives it an interest in pushing for a high proportion of constituency seats. Mr Hosokawa must also satisfy his largest coalition partner, the Social Democratic Party, which believes it would do best under proportional representation.



Passengers being evacuated yesterday from a China Airlines Boeing 747 which had belly-flopped into the sea at Hong Kong's airport. All 274 passengers and 22 crew were rescued. Reuter

Pacific forum may take more formal role

By George Graham in Washington

MINISTERS of the Asia-Pacific Economic Co-operation forum are expected to endorse a new framework giving the organisation a more formal role in setting policy on investment and trade.

US officials said senior delegates from the 15 Apec member countries had given their blessing to a declaration on a new trade and investment framework which would probably be adopted at the Apec ministerial meeting in Seattle later this month.

The framework proposes an evolution in the role of Apec, until now largely an informal consultative forum, to the establishment of a permanent trade and investment committee. This committee could continue some of Apec's existing work in areas such as customs but "also move gradually into additional policy areas as the comfort level and commitment of members to expand," according to Ms Charlene Barshefsky, the deputy US trade representative.

The Seattle meeting will also discuss a more ambitious vision of Apec's future prepared by a group of "eminent persons."

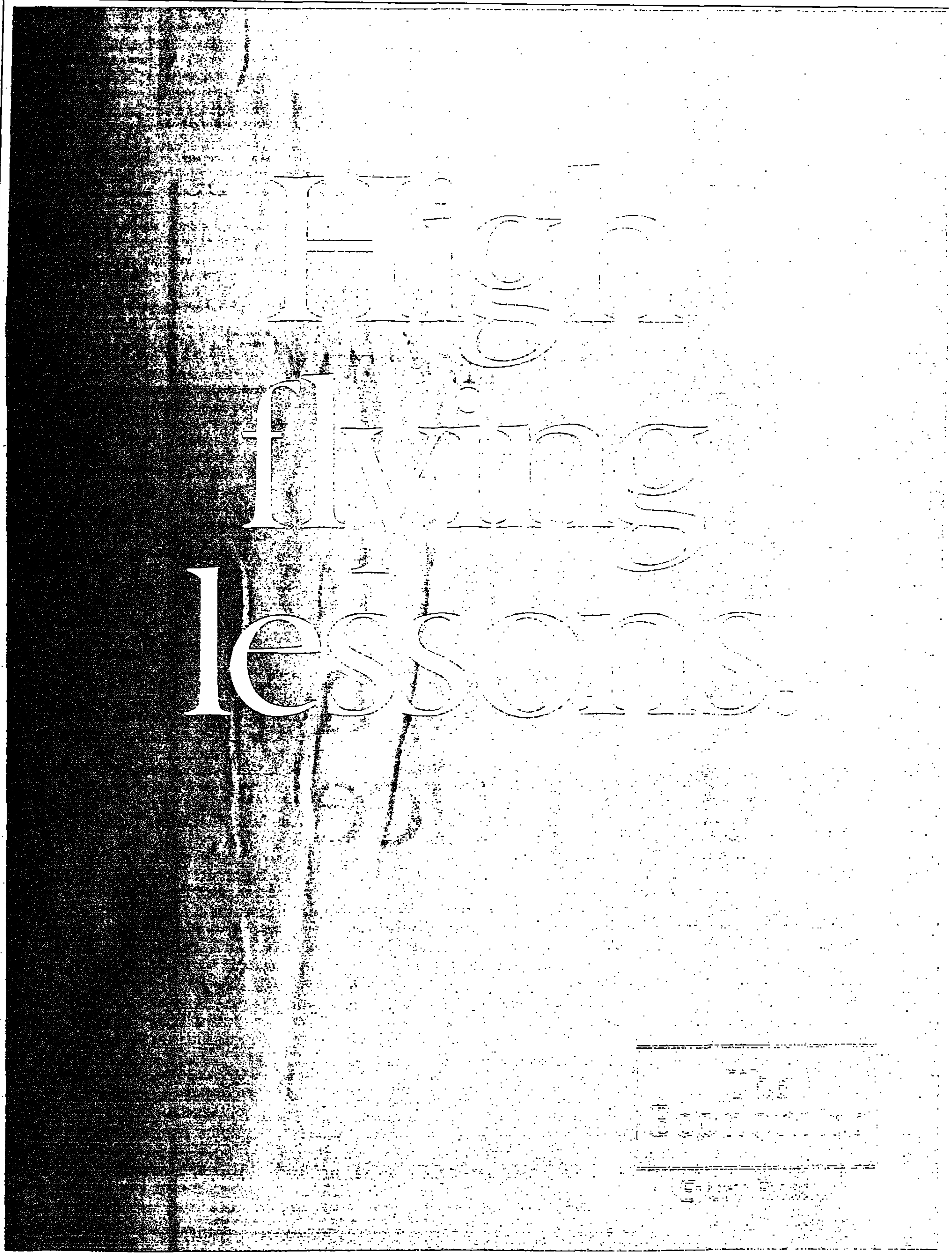
Their report warns of rising protectionism, the development of inward looking regional blocs, and the escalation of trade disputes between Apec members, and urges "the foundation of a true Asia-Pacific Economic Community" to head off these risks.

It recommends that Apec set a goal of free trade in the Asia-Pacific region, working over the next three years to establish a timetable for reaching this goal.

More immediately, it argues for measures to facilitate investment within the region, the adoption of an effective dispute resolution mechanism if one is not achieved in the Uruguay Round of talks on liberalising the General Agreement on Tariffs and Trade.

Washington trade experts warn, however, that the goal of an Asia-Pacific Economic Community is distant. The difficulty the Clinton administration is having in persuading the US Congress of the advantages of the smaller free trade area set up by the North American Free Trade Agreement does not bode well for such a sweeping ambition.

"Any talk about free trade areas, much less economic communities, would be in terms of long term ideals rather than concrete proposals," said Mr Jeffrey Schott, a research fellow at the Institute for International Economics, a Washington think tank whose director, Mr Fred Bergsten, represents the US in the eminent persons group.



Factory orders up 0.7% in September

US factory goods orders rose for a second straight month during September, and shipments of finished products hit record high levels, the Commerce Department said, Reuter reports from Washington.

The 0.7 per cent rise in September orders to a seasonally adjusted $255.2bn (£172bn) followed an upward revision to 1.2 per cent for the gain in August and pointed to a rising tempo of national manufacturing activity.

With the exception of a 1.9 per cent fall in July, factory orders rose in three of the four months from June through September. Meanwhile, US non-farm productivity jumped by 3.9 per cent in the third quarter, and a second quarter fall of 1.3 per cent was revised downwards to 0.4 per cent, the Labour department said.

Shipments in September were 1.4 per cent at $260.2bn, the highest on record.

But unfilled orders were down by 1.1 per cent in September, a seventh fall in a row in backlogs as companies continue to operate leanly.

Transportation orders suffered the biggest fall in September, down 1.6 per cent after a 7.4 per cent August rise. A drop in demand for new aircraft more than offset stronger orders for new cars, ships and military tanks.

Excluding transportation, orders in September were up one per cent following a gain of 0.3 per cent in August.

In September, shipments of new cars climbed by 6.6 per cent after a 9.4 per cent rise in August. Defence contractors' orders fell 2.1 per cent.

Clinton joins war of words over healthcare

By Jurek Martin in Washington

PRESIDENT Bill Clinton has joined his wife in declaring verbal war on the insurance industry association most vigorously opposed to their healthcare reform proposals.

Both have been stung by a series of radio and television commercials by the Health Insurance Association of America, a coalition of mostly small and medium-sized insurers which is estimated to provide health cover for about 65m Americans.

The Clintons launched their reform programme by promising to work with anybody to achieve universal healthcare insurance. But on Monday, Mrs Hillary Rodham Clinton accused insurers of bringing the country to "the brink of bankruptcy because of the way they have financed healthcare".

On Wednesday, the president chipped in by turning the catch phrase of the commercials – "There must be a better way" – against the association. "They tell you they've got a better idea," he told a rally in a Pittsburgh suburb, "except that we're all still waiting for it."

Simultaneously, Mr Richard Celeste, former governor of Ohio and now an administration adviser on healthcare, disrupted an association press conference called to unveil a new commercial. Asked to leave, he shot back: "When you go up with million dollar advertisements, you're fair game for a response."

The HIAA, which represents 271 companies, has seen some defections in recent years. Four of its biggest members – Aetna, Cigna, Metropolitan Life and the Travelers – have in the past two years set up their own association to promote managed healthcare, a concept that meets the approval of the Clintons.

Prudential Insurance, while still a member of the HIAA, has refused to provide funding for the $5.5m commercial campaign, running in 10 of the bigger states, on the grounds that it was "far too negative", according to a company spokesman.

The commercials feature Harry and Louise, a thirtysomething couple, in assorted domestic and work environments agonising over the cost of the Clinton health plan. Explicit in most is the fear that their insurance will run out or be taken over by the government.

Some radio commercials not sponsored by the HIAA are far cruder. One currently doing the rounds transforms a doctor's waiting room into a cattle round-up.

Mr Willis Gradison, former Republican congressman from Ohio who retired last year to head the HIAA, argues that its advertisements are accurate and that, under the Clinton plan, many members will simply be absorbed into large insurance pools, at a considerable cost to the quality of healthcare.

Moynihan aims to put more bucks on bullets

By Jurek Martin

THE great American debate over crime and gun control moved into higher gear this week as a result both of Tuesday's elections and of initiatives and actions in Congress.

The House of Representatives on Wednesday authorised funding for a package of measures along lines proposed by President Bill Clinton, including the recruitment of as many as 50,000 new police officers nationwide.

This clears the way for consideration next week of the long-stalled Brady bill, which would require purchasers of handguns to wait five days before taking possession. The Senate, also putting crime on its agenda, is expected to vote by the end of the year on the bill, named after Mr James Brady, the White House press secretary severely wounded in the attempt on President Ronald Reagan's life in 1981.

While agreement on an omnibus crime bill is far from certain, Senator Daniel Patrick Moynihan, the New York Democrat, injected a significant new element into the political equation by proposing that Mr Clinton's healthcare reform bill include swingeing increases in the federal tax on handgun ammunition. "It is time the federal government began taxing handgun ammunition used in crime out of existence," he said.

His proposal would certainly do this for the most destructive bullets. He asked for a general sales tax increase on bullets to 50 cents from the current 11 cents, with the annual licence fee for manufacturing ammunition rising from $10 to $10,000.

But he also called for a 10,000 per cent increase in the tax on one Winchester cartridge, known as the Black Talon and advertised for its penetrative capabilities. This would lift the price on a box of 20 from about $24 to around $150,000.

Senator Moynihan has recommended this approach before and it was picked up last month by Mrs Hillary Rodham Clinton, who emphasised she was speaking only in a personal capacity. But it was received cautiously on Wednesday by Mr Lloyd Bentsen, the treasury secretary, and immediately condemned by the National Rifle Association as just another "egghead" notion.

The NRA reckons it has had a very good week. Two of its toughest critics, Mr James Florio in New Jersey and Ms Mary Sue Terry in Virginia, were defeated in gubernatorial contests, while across the country state and local voters approved propositions calling for stiffer jail sentences, more prisons and more policemen.

These are part of the current NRA anti-crime campaign which is designed in part to draw attention away from the issue of gun control itself.

On the other hand, neither Mrs Christine Todd Whitman nor Mr George Allen, the victors, campaigned in favour of rescinding recent gun control legislation in both states. Mrs Whitman argued against anything that would make possession of assault weapons any easier, while Mr Allen focused most of his attack on toughening Virginia's parole laws.

Senator Moynihan: "Time for ammunition used in crime to be taxed out of existence."

Russian military doctrine finds favour with US

By George Graham in Washington

THE US yesterday gave cautious approval to the new military doctrine outlined by Russia earlier this week.

Mr Warren Christopher, secretary of state, told the Senate foreign relations committee he had little concern either about Russia's abandoning its pledge of "no first use" of nuclear weapons, or about provisions for the involvement of Russian troops in peacekeeping operations in neighbouring states of the former Soviet Union.

"In the new doctrine, Russia has said essentially that it will not use nuclear weapons against non-nuclear weapons states who are parties to the non-proliferation treaty. In fact, the nuclear doctrine announced in this statement is not very different from our own," Mr Christopher said.

"Frankly, the US and its allies never took the old Soviet doctrine as a serious indication as to what the USSR might actually do with its massive arsenal of nuclear weapons."

Mr Christopher welcomed the new doctrine's statement that its basic objective was to complete the withdrawal of Russian troops to Russian territory, and said he had received assurances in Moscow last week that the government was "committed to reaching a prompt agreement with both Latvia and Estonia on the withdrawal of Russian troops.

He said US understanding of the new doctrine's reference to military operations outside Russia's borders contained the proviso that such operations would be conducted only in co-operation with the states involved.

"In short, Russia must be part of the solution and not part of the problem with respect to the regional conflicts. Nothing that we have seen in this new doctrine contradicts that crucial principle."

Chrétien appoints new cabinet

By Robert Gibbens in Montreal

MR JEAN CHRETIEN was sworn in as Canada's 20th prime minister in Ottawa yesterday, returning the Liberal party to office after nine years of Conservative rule.

Mr Chrétien, 59, a 30-year veteran of federal politics, immediately appointed a centre-right cabinet of 23 members.

Mr Paul Martin, 55, a former businessman and son of the late Senator Paul Martin, takes over the department of finance. He is a fiscal conservative, committed to gradual deficit reduction and more efficient government.

A former Toronto businessman, Mr Roy MacLaren, 59, becomes minister for international trade and in charge of the North American Free Trade Agreement portfolio. Mr MacLaren is a Nafta supporter.

A veteran of the Pierre Trudeau government, Mr André Ouellet, 54, becomes minister of external affairs, while Mr Lloyd Axworthy, 53, another Trudeau veteran, is minister of human resources and will represent western Canada.

Mr Arthur Eggleton, a former mayor of Toronto, heads the Treasury Board and Mr Marcel Masse, a federal civil servant under Liberal and Conservative governments, shoulders inter-governmental affairs, covering constitutional problems looming with Quebec and western Canada.

Mrs Sheila Copps, 40, a leading Liberal parliamentarian, becomes deputy prime minister, one of four women in the cabinet.

The cabinet must address a federal 1993-94 deficit of about C$40bn (£20.5bn), external debt of US$235bn, high unemployment, lagging recovery and exploding health and welfare costs.

The new prime minister has proposed a C$6bn crash infrastructure programme to create new jobs. The funds would come partly from defence cuts, including cancellation of a C$5bn helicopter order from Westland of the UK and Agusta of Italy, but this has raised protests from three provinces which stand to benefit from work on the order.

SALEROOM

Matisse cut-out comes to auction

By Antony Thorncroft

MATISSE is one artist whose reputation has grown during the art market recession. At Sotheby's in New York on Wednesday "The Wine Press" sold for $13.75m (£9.34m) to the Swiss Bank Corporation.

The composition is a cut-out, an experimental work of 1951. Matisse took scissors and snipped out pieces of paper, painted them, and then glued the shapes on to a white support. It combines his skills as colourist, draftsman and sculptor. The cut-outs show him moving towards the experimentalism of the abstract expressionists, and this was the first to appear at auction.

Sotheby's auction, of Impressionist and Modern art, its most important of the autumn season, brought in $48.5m and was over 77 per cent sold by value. However, 18 of the 56 lots were unsold, showing that buyers are still selective.

The main casualty was "Violin et verre", an important 1913 Cubist work by Braque. Among other lots to find buyers was a Renoir of two washerwomen, which sold above forecast for $4.9m, and "Liebespaar", a painting by Egon Schiele of two nudes on a bed, which sold below estimate for $4.6m, in real terms a loss on the £2.9m it fetched at Sotheby's in Lodnon in 1984.

Sotheby's claimed three artists' records, including the Matisse for a work on paper: $1.2m for a stone sculpture of a kneeling woman by the German artist Wilhelm Lehmbruck, and $442,500 for "La Grande Jatte au Printemps" by Emile Bernard, which was much influenced by Seurat's view of the same scene.

Banks to delay Brazil debt accord

By Stephen Fidler, Latin America Editor

BRAZIL and its leading bank creditors have agreed to delay the completion date of an accord covering the restructuring of more than $35bn of debt. The delay is to allow more time for negotiation with the International Monetary Fund.

Mr Andre Lara Resende, Brazil's chief debt negotiator, said yesterday the target date for completion had been put back from February 28 to April 15. Signing of the bank deal will begin on November 29.

The February closing date implied that an IMF agreement – necessary for the bank accord to be completed and for the issue of US zero coupon bonds as collateral – would be in place by early January, which now looks unlikely.

The IMF wants the government to balance its operating budget in 1994, and fiscal measures planned by the government to do this have been delayed. Mr Resende said the government hoped to have unveiled the measures by mid-November. An IMF team due to arrive in October will now arrive on November 15 or 20.

He said he had no indication if the Dart family, which holds 4 per cent of the outstanding debt and which has been refusing support for the accord, had changed its position. Banks holding 95.11 per cent of the debt have indicated they will accept the agreement, and 95 per cent must sign for it to become effective.

offer

NOTICE UNDER SECTION 11(2) OF THE ELECTRICITY ACT 1989

The Director General of Electricity Supply (hereafter referred to as 'the Director') pursuant to Section 11(2) of the Electricity Act 1989 (c29) (hereafter referred to as 'the Act') hereby gives notice as follows:

(1) He proposes to make a modification by the insertion of two additional Conditions (13 and 14) into the Licence granted under Section 6(2) (a) of the Act to Slough Electricity Supplies Limited on 26 March 1991. This modification will have the same effect as Conditions 13 and 14 in the licence granted to Eastern Generation Services Limited on 17 May 1993 under Section 6(1) (a) of the Act except that in both conditions '20 May 1996' should be replaced by '1 December 1996'.

(2) The Director proposes to make the modification in response to a request from Slough Electricity Supplies Limited that their second tier supply licence be modified to include the powers and rights conferred by or under the provisions of Schedules 3 (compulsory acquisition of land etc.) and 4 (street works, wayleaves and other powers) of the Act subject to limitations similar to those imposed in other licences including such powers issued by the Director under Section 6(2) of the Act.

(3) Copies of Conditions 13 and 14 as they appear in Eastern Generation Services Limited's Licence are available free of charge from the Office of Electricity Regulation at the address given below.

(4) Any representations or objections to the proposed modifications may be made on or before 6 December 1993 to the Director at the Office of Electricity Regulation, Hagley House, Hagley Road, Edgbaston, Birmingham B16 8QG.

Dr E C Marshall
duly authorised on behalf of
the Director General of Electricity Supply
5 November 1993

NEWS: US RETHINK ON DRUGS

US narcotics policy turns full circle

Stephen Fidler on latest efforts to stem the tide of illegal drugs

FOR the US government, the war against drugs begins overseas. But if its measure of success is the quantity of narcotics flowing into the country, then it has failed.

"The simple fact of the matter is that after spending billions of dollars on the interdiction effort, more cocaine and more heroin enters the country today than before the first drug strategy was released in 1989," a congressional report concluded last month.

This sense of failure led the Clinton administration to announce a shift in strategy last month. But the shift – which reduces the emphasis on interdiction and aims to increase US spending in the source countries – has disappointed most followers of the drugs issue.

"This is just another stage of the cycle of the international drugs war," said Mr Kevin Zeese of the reform-oriented Drugs Policy Foundation. "It's a good thing they've recognised the failure of interdiction but they are chasing the cat's tail. Nixon focuses on interdiction, Carter on eradication, Reagan and Bush go back to military spending and interdiction, then Clinton focuses again on the source countries."

The Clinton administration has tried to frame its anti-narcotics strategy overseas within its foreign policy emphasis on democracy and human rights.

"Counter-narcotics is an integral part of what we are trying to do with foreign policy," said Mr Richard Porter, director of national security affairs in the Office of National Drug Control Policy. "Trafficking, corruption, drug use, economic dislocation, instability and human rights problems are more likely when democratic institutions are fragile, which is why the traffickers are there."

Interdiction – involving coastguard and naval operations and AWACS aerial surveillance mainly in the Caribbean – has been expensive. The Pentagon, which controls these operations, has been criticised for wasting millions of tax dollars and for diverting non-drug enforcement activities to drug enforcement accounts.

Yet officials insist these efforts have had a significant impact on the Colombian cartels which dominate the cocaine trade and are moving into the heroin business.

According to Mr Porter: "The question is not whether it's been a success or not. It has been a success. It's a matter of looking, as the dollars get scarcer, at where we can get more bang for the buck."

The efforts have increased interceptions, which have forced significant changes in the cartels' methods, he said. Seizures – amounting to 107 tonnes in the three years from 1989 to 1992 – have cost the cartels billions of dollars.

Furthermore, instead of transporting the cocaine in bulk through Florida as was common a few years ago, they are now forced to make smaller shipments.

But there would be greater cost effectiveness if the traffickers were tackled in source countries: "That's the beehive. If we want the bees, the best place to get them is in the hive. Otherwise we are chasing them all over the forest where they are harder and harder to find," Mr Porter said.

Yet, drugs policy experts are worried that such a shift would merely move funds from one part of the Defence Department to another. Meanwhile, despite the administration's emphasis on building democracy, this part of the strategy would be viewed as foreign aid and therefore highly vulnerable to cuts by Congress.

Furthermore, the attempt to identify a successful drugs policy with democracy is likely to be confusing. "It's a recipe for ineffective policy," says Mr Peter Hakim of the Washington-based InterAmerican Dialogue.

Though there is criticism of the drugs policy for placing too much emphasis overseas, only 9 per cent of the $12.7bn budget in 1993 was spent outside the US and less than 4 per cent was spent in joint programmes with other governments, the majority of which was in the Andean countries.

The new efforts, say officials, would build on improved co-operation already evident, particularly with Bolivia and Colombia, in the Andes.

A State Department official said these efforts would aim to provide increased help with the administration of justice. Help with eradication would continue but there would be greater emphasis on alternative development and crop substitution. The US would also seek support in these objectives from the international financial institutions.

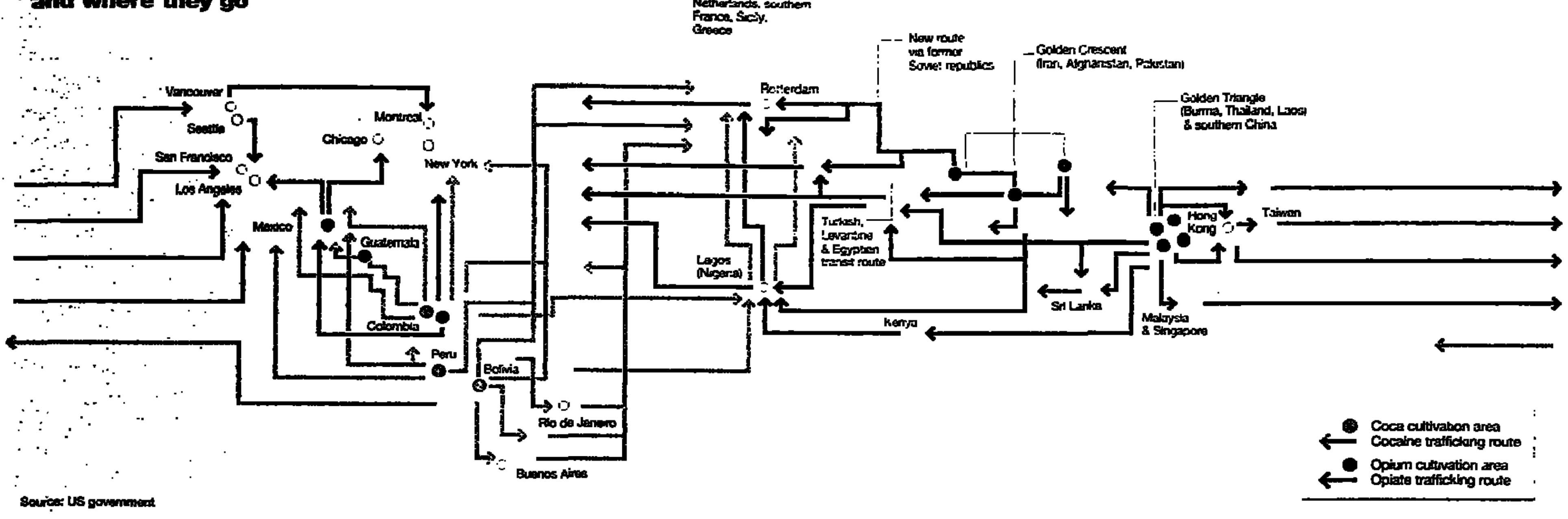
But these objectives are difficult and succeed, if at all, only in the long-term. Furthermore, eradication efforts – as has been shown in the Latin American centre for coca production in Peru's Upper Huallaga Valley – have only succeeded in shifting production elsewhere.

Alternative crops, such as cocoa, coffee and palm-oil, occasionally fetch higher prices on the international market to make them competitive with coca. But drugs dealers can always raise the prices they are prepared to pay for coca leaf to levels which keep coca-growers hooked.

This is the root of the problem. The difference between the price of cocaine on the other side of the border and the price on the US side means that efforts to stem supply almost inevitably looked doomed to failure.

Narcotics: the main trade routes

where cocaine and opiates come from and where they go



Source: US government

United States

- Cocaine market worth $15bn-$17.5bn a year: consumption 150-175 tonnes at street price of $100 a gram.
- New forms of heroin show up as Colombian cartels diversify; heroin fetches wholesale price of $180,000 to $200,000 per kilo, up to 10 times cocaine price.
- Heroin purity on streets rises 600 per cent since 1981; street price drops 25 per cent from 1988 to 1992.
- Some $100bn-$200bn a year of drugs money laundered in US, the world's principal centre for money laundering.

Mexico, Central and South America

- Colombia's Cali cartel may control more than 70 per cent of world cocaine business.
- Sixty per cent of US cocaine now passes through Mexico as interdiction deters formerly favoured Florida and Caribbean routes.
- Peru responsible for cultivation of about 60 per cent of world coca, Bolivia 21 per cent, Colombia 18 per cent.
- Potential cocaine production rises from 840-1,040 tonnes in 1988 to 955-1,165 tonnes in 1992.

Europe

- Heroin smuggling increases through eastern Europe in wake of turmoil in former Yugoslavia.
- Europe becomes a more attractive target for cocaine traffickers as prices rise above those in US and EC border controls are reduced.
- Seizure in 1992 of a tonne of cocaine on Finnish border shows that cartels are seeking foothold in Russia.
- Spain now main European gateway for cocaine, with an estimated 55 per cent flowing through Iberian peninsula.

Asia and Africa

- Sixty per cent of world opium is cultivated in Burma, which doubled output since 1988.
- China now thought to be second only to Thailand as most important route for Golden Triangle heroin; opium produced in 15 of China's 22 provinces.
- Heroin cultivation and trafficking now rising in former Soviet republics of central Asia.
- Nigerian cartels seek to control heroin trafficking as country's importance grows as transit country.

Clinton's commitment doubted

By George Graham in Washington

PRESIDENT Bill Clinton's new director of drug control policy, Mr Lee Brown, received a frosty welcome last month when he presented the administration's interim drug strategy to the Senate.

Democrats joined Republicans in criticising the skimpy document. Senator Joseph Biden, judiciary committee chairman, complained that the administration had not "taken this seriously enough."

The "war against drugs" waged in the past four years has been viewed in many quarters as a failure. Although casual and first-time drug use has declined dramatically since 1988, marijuana and LSD consumption seem to be on the rise again.

Hard-core use has barely been dented: the purity of cocaine sold on the street – an indicator of the supply situation – has risen again in the past two years after declining from 1987 to 1990, and drug enforcement officials fear a dramatic resurgence in heroin abuse.

Critics complain that the drug war strategy has focused too much on the supply end, with more than 70 per cent of the drug control budget spent on law enforcement and on interdiction efforts to stop drugs arriving in the US.

The demand end, they charge, has been neglected. Treatable drug addicts cannot obtain places in the inadequate drug treatment centres, and even addicts convicted and sent to prison are released without treatment.

Mr Brown's interim strategy appears to answer many of these complaints. Step one in his document is "an aggressive drug treatment strategy with hard-core use as its primary target."

The strategy cites a study by the Rand Corporation, a think tank and consultancy, pointing out that only around 20 per cent of cocaine users are heavy addicts, but that they account for two-thirds of total consumption. It also argues that hard-core use harms society most, fuelling the wave of drug-related violence that has ravaged US cities.

Two things, however, annoy the administration's critics in Congress: the absence of any noticeable changes in funding to back up the changes in rhetoric, and the lack of presidential involvement.

This year's drug control budget may not be a fair indication of the administration's ultimate intentions. Drafted in a hurry, and before Mr Brown was even named to his post, the $13.1bn budget submitted by Mr Clinton bore a striking resemblance to his predecessor's.

The White House showed little willingness to fight for this budget. Officials accepted cuts in treatment programmes proposed in the House of Representatives until Mr Brown turned and fought.

But the lack of any indication in the interim strategy that resources will be shifted among the different components of the anti-drug programme, as well as the absence of any pledge of increased overall funding, has raised questions in Congress.

When Mr Brown was appointed his position was raised to cabinet level, but his staff was cut from 146 people to 25. Mr Clinton needs to put more substance into his anti-drug drive if he is to convince Congress that that move was not symbolic of his lack of commitment to the issue.

Boeing plans new combat aircraft

By Paul Betts, Aerospace Correspondent

BOEING is making a bid to return as a leading combat aircraft manufacturer by announcing yesterday it was studying the development of a new multi-role military aircraft to challenge proposals by the two main US combat aircraft manufacturers, Lockheed and McDonnell Douglas.

Boeing said it had reached an agreement with the US government's Advanced Research Projects Agency on a demonstration programme for the new modular, multi-role aircraft that could perform conventional take-off and landing missions for the US Air Force, short take-off and vertical landing missions for the US Navy and Marine Corps and conventional aircraft carrier operations.

Boeing's plan for a new multi-role aircraft could challenge the McDonnell Douglas AV-8B (above)

The new aircraft is designed to perform missions now undertaken by the Lockheed F-16, the McDonnell Douglas AV-8B built in co-operation and under licence from British Aerospace and based on the BAe Harrier, and the McDonnell Douglas F-18.

Both Lockheed and McDonnell Douglas have also been awarded US government contracts to explore the feasibility of a new generation short take-off and vertical landing aircraft. But the Boeing concept takes this further by proposing a multi-role tactical aircraft to perform a variety of missions for all three US forces.

"We're excited because our work is proving the idea is affordable as well as technically feasible," said Mr Mickey Michellich, Boeing's director of advanced tactical aircraft programmes.

Boeing is also discussing with the US general Electric and Pratt & Whitney aero-engine groups as well as with Rolls-Royce, which produces the Pegasus powerplant for the Harrier, on a possible propulsion system for its new modular combat aircraft.

Rolls-Royce also confirmed that it is discussing possible co-operation with Pratt & Whitney on a new short take-off and vertical landing engine for the 21st century successor to the Harrier.

Japan carmakers in slow lane to China

A huge market beckons, writes Michiyo Nakamoto

JAPAN's carmakers owe much of their impressive growth in the past to the efforts they put into building up markets abroad.

But, in spite of the setback they face at home and in western markets, Japanese carmakers have been curiously slow to move into one thriving market that is not only geographically close but which offers strong growth for the foreseeable future.

China's growing demand for passenger cars has so far failed to attract much investment from its Asian neighbour which could risk falling behind western rivals in the race to win over one of the fastest growing markets in the world.

In a bid to make up for lost time, next Sunday the Japanese government and car industry are sending a joint mission to China which they hope will help pave the way for stronger ties.

The mission of over 60 members representing all the large Japanese car and car components makers and bureaucrats from the Ministry of International Trade and Industry, is the first of its kind to China. It will be headed by Mr Yutaka Kume, chairman of the Japan Automobile Manufacturers Association and of Nissan.

The official reason for the visit is to exchange views on industrial policy, possible future co-operation and other bilateral issues. The Japanese are keen to get to know their Chinese counterparts in industry and government and to get a better picture of China's policy regarding its car market.

China feels that Japan has not been eager to invest in their car industry, says a Miti official. "But that is not the case. Because Japan is close to China, their expectations are high," he explains.

While western companies from Volkswagen to Chrysler have been setting up manufacturing joint ventures in China, large Japanese makers have been conspicuously absent from the eight car manufacturing projects given official blessing of China's government.

Of the three large-car and three small-car projects approved by the Chinese authorities, only Suzuki has set up a joint venture for mini-car production. Daihatsu and Fuji Heavy, meanwhile, have formed technology transfer agreements.

The potential for growth in Chinese car ownership is huge. The market is expected to grow from 1.1m units last year to 3m units by the year 2000, according to Chinese estimates.

Exports of Japanese vehicles to China have surged from 29,673 in 1990 to 96,953 last year. In the first few months of this year, exports rose from 7,940 units in January to 21,044 in March. And Japan already has six commercial vehicle joint ventures and two technology transfer accords with China.

However, the Japanese are finding China's market managing measures irritating. One Miti official laments that "their basic policy is to build the cars themselves."

Industry officials complain about political uncertainty and limited infrastructure. They are also finding it difficult to swallow the terms set by the Chinese.

Partly as a result of these hurdles, the large Japanese companies find their interest in new markets diverted to South East Asia, where motorisation is far more advanced than in China.

With Japanese vehicle exports to China having fallen dramatically as a result of moves to cool the economy, the mission will be looking for any way to bridge the gap.

HINO Motors, the Japanese maker of trucks which is affiliated with Toyota, has set up a joint venture company in China to manufacture and market buses, the company said, writes Michiyo Nakamoto.

The joint venture, Long Bi Bus, has been formed with one of China's big five bus manufacturers and is the first of its kind with foreign participation. It is capitalised at Y245bn (£1.54bn) with Heilongjiang Bus contributing 65 per cent, the Heilongjiang Import and Export Corporation 10 per cent, and Hino Motors and Mitsui 12.5 per cent each.

Production, initially 100 units a year rising to 500, will start this month. Hino will provide components such as engine transmissions. The chassis will initially be Chinese-made.

EC prods Tokyo over competition

By Andrew Hill in Brussels

MR Karel Van Miert, EC competition commissioner, yesterday called on Japan to translate recent declarations on strengthening competition policy into "concrete and effective action."

Speaking at a Japan-EC competition seminar in Tokyo – the first of its kind – Mr Van Miert said competition policy should be used to "open up the Japanese market to fair and undistorted competition from abroad."

According to the text of his speech, released in Brussels, Mr Van Miert said the Japanese government's ambitious policy declarations would have "no value" unless they were backed up by action. He said the Japanese authorities had to take into account foreign as well as domestic companies when framing competition policy.

Like his predecessor Sir Leon Brittan, Mr Van Miert picked out Japan's restrictive distribution system as one potential barrier to competition from non-Japanese companies. Mr Van Miert welcomed the 1991 guidelines on opening up the system, issued by the country's monopolies watchdog, the Fair Trade Commission. But he said they still fell short of the EC's competition rules.

He also welcomed the FTC's "increased vigour" over the last few years, but called on the Japanese government to provide additional backing for the watchdog, by increasing the scope of the country's anti-monopoly law.

The competition seminar aims to bring together European and Japanese competition authorities, lawyers, academics and consumer representatives to examine and compare anti-trust policies.

● EC commissioners yesterday approved plans to streamline anti-dumping, anti-subsidy and safeguard inquiries.

The proposals – to set deadlines, give consumers a greater say in cases and separate dumping and injury investigations – will now be put to EC ministers. Sir Leon Brittan, EC trade commissioner, said the proposals would "shorten the period of doubt and uncertainty that can seriously hamper the business plans of firms under investigation."

Treuhand brokers DM1bn barter deal with Russia

By Judy Dempsey in Berlin

THE Treuhand privatisation agency, and a consortium led by Deutsche Bank and Westdeutsche Landesbank, have arranged a barter and financing package worth DM1bn (£400m) for the export of east German manufactured goods to the Tyumen region of the Russian Federation.

However, the agency and the banking consortium have still to confirm that part of the financing agreement will be guaranteed by Hermes, the German export credit agency which last August suspended credits to the Russian Federation.

Under the accord's terms, Tyumen will buy DM200m of goods from eastern German enterprises, while at the same time, it will export oil and other gas products to Germany. The latter will be sold at world market prices.

The remaining DM800m of orders from Tyumen, which is anxious to obtain equipment for drilling and transport, will be financed through the consortium.

Yesterday, a Treuhand spokesman said there were signs that Hermes would support the deal, which is seen as crucial for reviving links between eastern German manufacturing and the former Soviet Union.

The agreement follows a recent visit to Berlin by a trade delegation from Tyumen led by Mr Leonid Roketzky, who held talks with Mr Hans-Georg Pohl, a senior member of the Treuhand's department for trade with eastern countries.

The contract, which follows earlier barter deals arranged by the Treuhand with the former Soviet Union, is a welcome boost for east Germany's heavy manufacturing sector which before German unification depended on exports to the countries of eastern Europe and Russia.

Brussels agrees big trade concessions to Moscow

THE European Commission yesterday agreed on significant trade concessions to Russia as part of its effort to get a new EC trade and political agreement with Moscow before the Russian general elections in December, writes David Gardner in Brussels.

Brussels is proposing to treat Russia almost as though it were already a member of the General Agreement on Tariffs and Trade, and wants to set 1998 as the date when the Community and Russia will decide whether to establish a common free trade zone. The proposals are expected to be endorsed as a new Commission negotiating mandate when foreign and trade ministers of the 12 meet in Brussels on Monday.

The Commission and the 12 had already agreed that the "partnership" talks with Russia should hold out the eventual prospect of a fully fledged free trade zone.

At the time there were fears that Mr Yeltsin might lose a popular referendum on Russia's reforms. The new insertion of a date is, however, regarded as a psychologically important demonstration of EC commitment to Russia.

But of greater substance for Moscow is the Brussels proposal to treat Russia as "an economy in transition" rather than a so-called "state trading" country, such as China or North Korea. "They want to be seen as capitalist rather then communist," a Commission official said yesterday.

Moscow had obdurately refused to be bracketed in "state trading," even though, for instance, its energy prices are artificially low because of state subsidies, Russian companies still have no market-based mechanisms for calculating their production costs, and Russia has still not been accepted into Gatt.

If the EC were to insist on state trading treatment, it would make it far easier for the Europeans to take measures against imports from Russia than under Gatt rules.

Under the Commission proposal, however, the EC would have to prove "substantial" injury to European producers before imposing anti-dumping duties, and to consult Russia before imposing the levies.

MBO at former Daf plant now in profit

By John Griffiths

LEYLAND DAF VANS is operating profitably just nine months after a management buy-out from administrative receivership, and will be able to fund a £30m product modernisation programme out of earnings, chief executive Mr Allan Amey said yesterday.

Gradual recovery in the UK commercial vehicle market and the revival of exports to Continental Europe has put Birmingham-based LDV firmly on course to achieve its output target of 12,000 units and a £150m turnover next year, said Mr Amey.

This compares with 5,000 built since the MBO, led by Mr Amey, ended the Receivership in April. Until February LDV had been part of the Anglo-Dutch DAF commercial vehicles group, which absorbed the formerly UK state-owned Leyland Vehicles in 1987 but which collapsed at the beginning of this year.

The company has signed its first export contract, with Spanish distributor Hispalinver with the first first 200 vans already en route to Spain. And it is discussing the revival of sales through some DAF dealers in Continental Europe, following the rescue of the Dutch truck maker by Dutch and Belgian authorities. It is also discussing with the UK's Rover Group possible sales through its Continental car dealerships.

Export sales should reach 2,000-3,000 next year with vehicles on sale in France, Holland and Belgium as well as Spain, said Mr Amey.

There is already a population of nearly 30,000 Leyland DAF vans in continental Europe as a result of their sale through DAF truck dealers prior to the receivership. LDV's goal is to sell around 15,000-18,000 vans in the UK, with a further 10,000 exports.

The vans MBO, which involved a total package worth £40m, is backed by venture capital group 3i, the Bank of Scotland and TSB subsidiary United Dominions Trust, as well as having received some government aid. Mr Amey said LDV could operate profitably at a volume of 10,000 units a year, including provision for the £30m product programme, which is to be completed within two or three.

The company is also planning a substantial restructuring of its operations to more than halve the number of its component suppliers to fewer than 200. These "first tier" suppliers will have the task of developing and supplying component systems to LDV with smaller parts makers feeding their output into the "first tier" suppliers.

Mr Amey was speaking as Society of Motor Manufacturers and Traders statistics published yesterday showed that the UK market for panel vans, the sector in which LDV competes, jumped by around 18 per cent in October compared with the same month a year ago, following a 13.5 per cent rise in September.

In the first half of this year the panel van market was down by six per cent even from last year's severely depressed levels and yesterday's statistics have left LDV, at least, convinced that the corner has been turned.

Mr Jim Parks, LDV's sales and marketing director, said total industry sales this year should at least match last year's 84,683 units and rise to at least 88,000 next year, although this is still far below the 145,000 record of 1989. LDV, whose market share plunged from a record 15.6 per cent last year to 8.6 per cent just before the buy-out, currently is averaging about 13 per cent.

Central government efficiency unit finds that identity cards could stop benefit cheats

Front-runners emerge for ID fraud system

Thorn-EMI unit and subsidiary of General Motors lead the running to launch new anti-fraud system for social security offices, reports Stewart Dalby. A telecoms network already links 600 main sites

THORN Secure Systems, part of Thorn-EMI, and Electronic Data Systems, the information technology subsidiary of General Motors, are the front-runners to introduce a system of identity cards for the country's 20m social security claimants.

Government officials said yesterday that an identity card system was likely to be introduced after an investigation of how to reduce fraud in the social security budget. The investigation, being overseen by the government efficiency unit, is expected to be completed in the next few weeks.

Thorn and EDS are the favourites to win the contract to implement the system, officials said. Both have been consulted during the anti-fraud investigation.

It is estimated that a computerised anti-fraud system would cost more than £100m, but could lead to annual savings of at least £800m in the social security budget.

Officials estimate the savings would come from the near-elimination of three kinds of fraud: use of stolen benefit books, use of forged books and claiming under a variety of names.

A possible communications infrastructure for the system already exists. Racal Network Systems runs a data network system that links 40 government departments, but which has effective "walls" between departments. This network joins the 600 or so Department of Social Security offices throughout the country.

The main expense would be additional hardware. If the DSS decided to set up an automatic telling machine in every DSS office at about £100,000 each the total hardware cost would be £60m.

However, officials say the preferred scheme will probably involve installing simple point-of-payments machines in post offices. These operate like point-of-sale machines in supermarkets and would have the advantage of ensuring that sub-post offices in villages do not become redundant because of the existence of ATMs in the street.

Whether the DSS will install a machine in all 12,000 sub-post offices or only in the 6,000 main ones has not been decided.

Another important consideration in choosing the system is the concerns of civil rights lobby groups that individuals' privacy may be at risk. However, officials say that technology now exists to produce the kind of identity card that would overcome civil liberty fears.

Claimants could have a "hand scan" and then the shape of the hand would be stored electronically, together with relevant social security data, on a magnetic stripe on a swipe card of the kind used by banks. When claimants collected benefits or pensions, they would have their hands "read" by a machine to verify identity.

Mr Brian Maitland Reynell, government services director of EDS, said trials in the US had shown that hand scans could be devised that could not be used by the police for criminal identification purposes, thereby alleviating some of the civil liberties concerns.

His company would be able to set up the entire system for the government. He could not put a cost on such a system because it would depend on how much hardware was needed. "The cost would certainly be less than the potential savings," he said.

Nor would EDS actually make the cards. There are a number of companies in Britain capable of doing this, such as McCorquodale Card Technology, Datacard and De La Rue.

McCorquodale claims to have have the largest share of an annual UK market of around 250m cards. The swipe cards cost between £1 and £5 to manufacture.

Thorn Secure System's possesses the relevant technology to compete with EDS, either through watermarks on magnetic strips on swipe cards, or through fingerprinting a variant of the hand scan. Watermark magnetics is a technique developed by Thorn and is a sophisticated version of that on bank notes.

Mr Maitland Reynell's view is that multiple identity fraud, where people make claims under a number of names, is an area in which a card system could be effective, although not totally foolproof. It would help because most benefit books do not carry photographs and require only a signature to release money.

Estimates of the total size of the fraud range from £1bn to £5bn. In Australia, the only country where there has been a detailed study of social security fraud, it was estimated that the level of fraud ranged between 5 per cent and 15 per cent of total payments.

British officials are determined to take a conservative view and base their estimates on the 5 per cent level.

That would mean fraud of £3bn-£4bn, of which a quarter, or more than £800m, is thought to stem from stolen benefit books, forged books and multiple identity fraud.

The much harder to detect fraud of moonlighting – claiming benefits while working – could account for a substantial part of the rest. If there was a desire to attack this kind of fraud then it would probably require the introduction of the more sophisticated smart cards that contained a microchip and could hold far larger amounts of updateable information about the private circumstances of beneficiaries, including their work and income.

But the government appears reluctant to go down this route because of the implications for civil liberties.

Britain in brief

Exporters 'losing out' in E Europe

UK exporters are losing out to companies based in other European Community states in the race to establish markets in the former communist countries of eastern Europe.

Figures produced for Labour by the Commons library show that Germany, Italy and France all exported substantially more than the UK to eastern Europe last year.

German exports to Poland, the Czech and Slovak republics, Hungary, Romania, Bulgaria and the former Soviet Union amounted to US$23.9bn - nearly 10 times the UK figure of $2.7bn.

France achieved total sales of $4.7bn and Italy $6.4bn. Even The Netherlands, with a population of just 15m, sold goods and services worth $2.69bn.

The figures also show that British trade with eastern Europe is increasing more slowly than that of other EC countries.

UK sales last year were 49 per cent higher than in 1990, just after the fall of the Berlin Wall. German exports were up by 65 per cent, and Italian exports by 51 per cent. Dutch exports were up by 76 per cent.

Warning on satellite TV

National Heritage secretary Mr Peter Brooke plans to write to UK satellite television operators next week warning them that they have to move to a majority of European programming.

Mr Brooke gave the warning yesterday in the first biennial report to the European Commission on the European content of broadcasts in the UK.

All of the conventional broadcasters and a number of satellite channels are already meeting the EC requirement to move towards a majority of European made programming.

" A number of broadcasters have yet to meet the targets for European and independently produced material referred to in the (EC) directive," Mr Brooke said.

As a first step the National Heritage secretary will be writing to all the relevant broadcasters asking why they have not met the requirements.

Ford offer disappoints

Leaders of Ford's 7,000 office workers in the UK said they were disappointed with a pay offer that would give them a 1.8 per cent increase next year and 2.8 per cent the year after.

The pay offer which would run from November 1 in respective years is in line with that offered a week earlier to the car manufacturer's 23,000 production workers.

Mr Jim Thomas, chief negotiator for the Manufacturing, Science and Finance union, said after the talks: "We are disappointed with the offer on pay and even more disappointed that we have been given no commitments on job security.

"We have accepted restructuring and downsizing so now those who want to stay in Ford should be able to. The company should realise that a workforce who feel secure will be more productive and everyone will benefit in the long run."

Lamont attacks Clarke policy

Mr Norman Lamont, former chancellor of the exchequer, reiterated his call for the government to cut spending "across the board" and increase health charges.

In another attack on Mr Kenneth Clarke, his successor as chancellor, Mr Lamont said that present policies would "never" achieve his goal of reducing the proportion of national income spent by government from more than 45 per cent to less than 40 per cent. "The plain fact is, we are never going to get there", he said.

The government should raise health service charges and cut state contributions to social insurance, Mr Lamont told a London business forum sponsored by Thomas Cook and American Airlines.

Bullish view on recovery

A somewhat more bullish view of the UK economy emerges today from a survey of 1,000 medium and smaller sized businesses in manufacturing, engineering, wholesaling, retailing and farming.

The UK 200 Group of practising chartered accountants said its late October survey showed that 42 per cent of companies reported an improvement in their business against 34 per cent three months earlier, while those saying business was worse fell to 15 per cent from 23 per cent.

Mr David Turnbull, the group's managing secretary, said the results were the most positive since the survey started 2½ years ago. But there were "no grounds for complacency" because it also disclosed strong doubts about prospects for continued recovery next year.

Walk out at shipyard

Five hundred office workers and supervisory staff at Yarrows, the Glasgow warship yard, walked out on indefinite strike in protest at a pay offer, said by the company to amount to a rise of 1.8 per cent across the board, and further performance-related increases of up to 2.6 per cent.

The yard – part of the GEC group – currently has orders for three warships for the Royal Navy and two more for the Malaysian navy.

The company said the walk-out would have no immediate effect on production, but could affect some work if it was prolonged.

City Airport

Conti-Flug, the German airline, is to start services from London City Airport. It will offer flights to Vilnius in Lithuania, Riga in Latvia and Hamburg, Germany.

IRA 'offer' to end violence

By David Owen in London and Tim Coone in Dublin

MR JOHN HUME, leader of the nationalist Social Democratic and Labour party, sought yesterday to revive his joint peace initiative with Mr Gerry Adams, president of Sinn Féin, by claiming the offer of a "total cessation of violence" was on the table as a result of the dialogue.

Speaking after a meeting with Mr John Major, the prime minister, Mr Hume said there would be "peace within a week" if the initiative was embraced.

"My conclusion is that that is now a real possibility – a total cessation of violence not a ceasefire," Mr Hume said.

But in a move likely to infuriate Unionists, whom London and Dublin are trying to lure back to the negotiating table, Mr Hume said he intended to brief Mr Adams, who leads the political wing of the Irish Republican Army, on his hour-long meeting at Downing Street last night.

Mr Major is seeing the leaders of all four of the province's constitutional political parties over the next few days.

It emerged yesterday that the Irish government believes it will become clear by early December whether there is to be a breakthrough on the London-Dublin peace initiative for Northern Ireland announced by Mr Major and Mr Albert Reynolds, his Irish counterpart, in Brussels last week.

Mr Reynolds told the Irish parliament he intended to meet Mr Major again on December 3, before the next meeting of the European Council, to discuss the peace process.

In the House of Commons, Mr John Smith, the opposition Labour party leader, called on Mr Major to "take the lead" in efforts to persuade the province's political leaders to return to talks.

He told MPs that there was an "inescapable moral obligation" on the leaders to "co-operate in a new dialogue".

Mr Major said he intended to take "a very direct interest" in efforts to bring about a lasting peace, while hinting that an early return to round-table talks was unlikely.

Mr Reynolds unexpectedly met Mr Hume late on Wednesday evening. The government gave no explanation for the meeting, but it is thought it was concerned the SDLP leader might be about to reveal publicly the details of his peace initiative with Mr Adams.

John Hume pictured after his meeting in Downing Street

Wharf in profit by '1997-98'

By Andrew Jack

CANARY WHARF, the big London Docklands development that reached an arrangement with its creditors to remove it from administration at the end of last month, should be making a profit within four years, according to forecasts made by its professional advisers.

Mr Alan Bloom, who was one of the joint administrators to Canary Wharf at accountants Ernst & Young, said he expected income to exceed expenditure by 1997-98.

The forecasts are based on assumptions of occupancy of 80-90 per cent, and follow enormous write-offs of liabilities and restructuring of debt.

He would not disclose the current rental income on the project, but said annual operating expenses were expected to be £12m-£15m a year. There are outstanding construction costs of £5m-£7m.

Unsecured creditors to the project can expect to receive a maximum payment of 15p in the pound, with a further 25p to 130 contractors willing to provide warranties on existing work.

The details emerged shortly before the accounts for the restructured businesses are due to be filed at Companies House for the year to October 31 1992.

Price Waterhouse, the auditor, has signed the figures in the last few days.

The consolidated accounts for 1992 are expected to show a net loss of £1.2bn on the group, which reflects its acceptance of costs of restructuring the debts.

Total bank loans on the balance sheet as long-term liabilities will be £152m, reflecting the net present value of the £573m in debts owing to the banks at the time of insolvency.

An additional £98m facility has been made available – initially by the European Investment Bank – to fund the Jubilee Line underground railway.

The 12 banks which now own Canary Wharf through a company called Sylvester Investments have also made available up to £180m in other facilities.

Market-testing misses targets

By John Willman, Public Policy Editor

SAVINGS from contracting out civil service (government administration) work have come to much less than expected when the market-testing programme was launched 18 months ago, according to government figures.

In a Commons statement, Mr William Waldegrave, the public services minister, said that market-testing had so far produced savings of around £100m in the first round. Tendering has been completed on just £700m of work, less than half the £1.5bn target set for the end of September.

Savings are running at 14 per cent of the value of the work, compared with the 25 per cent figure predicted when the programme was launched.

Mr Waldegrave announced that further work worth £300m and currently carried out by 35,000 civil servants would be market tested in the coming year. Next year's programme includes many items not completed in the first round.

A "substantial further tranche" of the first year's programme would be completed shortly, he said, including the £250m contract for managing Inland Revenue's computers.

Around 10,000 civil service jobs would go as a result of the first year's market-testing. Most would be redeployed to other civil service work, while some would be transferring to companies which had won contracts.

Market-testing has been dogged by delays, particularly over the employment rights of staff whose jobs are contracted out to the private sector. Contractors have also accused the civil service of dragging its feet and failing to realise the efficiency savings possible from contracting-out.

The results of the first round of market-testing show that the civil service has been successful in holding on to much of the work put out to tender. In-house teams won 57 per cent of the bids by value, and 91 of the 150 contracts awarded where there was a competition between the existing staff and outside contractors.

Yesterday's announcement came amid mounting complaints from private sector companies bidding for work. Writing in the FT yesterday, Mr Charles Cox of Hoskyns, the information technology company, said that the programme had been implemented in ways that undermined the potential for savings. The number of private sector bidders would diminish unless the government addressed the problems faced in winning bids.

Another bidder said yesterday that some departments had made it very hard for outside bidders to win. "We've been pitching into bidding like lambs to the slaughter," he said. "Next year there'll be much less interest."

The savings of about £100 million would recur year after year, according to Mr Waldegrave. Spectacular gains had been achieved in some parts of the programme, he said.

Plan for curbing water costs

By David Lascelles, Resources Editor

MR IAN BYATT, the water industry regulator, promised yesterday to "get customers off the endless price escalator" as he laid out plans for next year's review of water prices.

His promise was immediately welcomed by water consumers who have complained loudly about rising water bills and the increases in the salaries that water company executives have paid themselves. But it drew a guarded response from the water industry.

In a long-awaited consultation document, Mr Byatt indicated that he plans to cut the rate of return that water companies have been allowed to earn since privatisation in 1989.

This had been set at a deliberately high level to attract new investors, he said. But now the risks were lower, and companies should fund improvements through greater efficiency or higher borrowing.

The only excuse for price increases after the new formula comes into effect in 1995, he said, would be investments necessary to meet higher water quality standards, mainly from the EC. But there would be some flexibility based on each company's circumstances.

He said that he does not have to agree a new 10-year price formula with water companies. If they object they can appeal to the Monopolies and Mergers Commission. Details will be announced in July.

Work starts on Cardiff Bay barrage

By Roland Adburgham

PRELIMINARY work will start today on the £152m project to build a threequarter-mile (1.1km) barrage across Cardiff Bay as a crucial part of the regeneration of the Welsh capital city's waterfront.

Parliamentary approval for the barrage bill was finally completed on Wednesday evening after more than six years of argument and delay. Royal assent is expected today.

The barrage, at the mouths of the rivers Taff and Ely, will create a permanent freshwater lake of 500 acres designed to improve the appearance of the bay, which becomes mudflats at low tide.

Opposition has come from Friends of the Earth and other environmentalists who fear the loss of its distinctive birdlife and believe that houses could be damaged by rising groundwater.

The scheme is the flagship project of Cardiff Bay Development Corporation, which was set up in 1987 to regenerate 2,700 acres of derelict docklands. The barrage is expected to take four years to build. Seven contractors have been invited to tender for the main contract, which is likely to be awarded within the next six weeks with construction to start next February. Bechtel is acting as project manager.

The corporation hopes the barrage will act as a catalyst for business and leisure development along an eight-mile waterfront. So far, work has concentrated on improving the infrastructure. The main office relocations to Cardiff Bay have been by the Dutch group NCM Credit Insurance, which is building a new UK headquarters, and Welsh Health Common Services Authorities.

Mr Gwilym Jones, Welsh Office minister, said: "The barrage forms the centrepiece of a regeneration strategy which offers the prospect of over 23,000 new jobs, 4,400 homes and £1.2bn of private sector investment."

Creutzfeldt-Jakob verdict

By Clive Cookson, Science Editor

AN INQUEST jury yesterday returned a verdict of "medical misadventure" on Patrick Baldwin, a 29-year-old naval engineer who died of Creutzfeldt-Jakob Disease, a brain disorder contracted as a result of contaminated growth hormone administered during childhood.

Lawyers acting for Mr Baldwin's parents said the verdict opened the way for families who had suffered from contaminated hormones to take legal action against the government for compensation. The Baldwins' solicitor, said writs would be issued in the High Court next week.

Mr Baldwin was one of 1,900 children in Britain who received growth hormone to treat short stature between 1958 and 1985. An unknown quantity of the hormone – extracted from the pituitary glands of corpses – was contaminated with CJD, a human version of BSE or mad cow disease.

After the verdict the coroner, said "It would be advisable for the 1,908 people who were given the human growth hormone to be monitored very carefully."

Last month Australian researchers estimated that 30,000 people worldwide were treated with potentially contaminated hormones before 1985, when three young people died of CJD and the procedure was stopped. Companies now make safe synthetic hormones.

Ringing the changes

A new plastic extrusion technology developed by Eropol, a small French engineering company, could change the life of millions of women suffering menopause symptoms.

A joint venture between Dow Corning of the US and Sweden's Kabi Pharmacia has launched an intra-vaginal ring on to the Swedish market. The UK and France could follow suit.

IVRs have long been discussed for birth control and menopausal purposes. Hormones embedded in the ring's silicone material are released in a controlled manner to ease menopause symptoms or prevent conception.

Until now, the technology has not been available to produce these cost-effectively. Eropol's solution involves an extrusion tool into which are fed, simultaneously, the hormone-doped silicone material forming the central core of the ring and the pure silicone material surrounding it.

To obtain the circular profile, with a core concentric to its surrounding silicone layer, the flow of material into the extrusion die must be carefully regulated. The silicone entering the extrusion die is split into 10 streams, through the centre of which is introduced a stream of the doped silicone. As each stream's flow can be controlled, Eropol can achieve the required quality of extrusion.

Once extruded, the string of hormone-doped silicone is cut into small lengths which are joined and become perfectly concentric because of the cut's conical form. The rings are placed into moulds with heating elements to harden the silicon.

The aim is to develop an auto-regulating mould capable of adapting to the silicone's expansion during heat treatment. It would stay open during the hardening process, with the halves kept apart under the pressure of a spring to allow the silicone to expand. The mould would then be closed and two tools inside it would perform the deburring action. That part of the process has not been mastered and the rings are finished by hand. Eropol expects to deliver the automated solution next year.

This technology could also serve to develop a contraceptive ring.

Anna Kochan

Safety in the works

Gunpowder, a traditional fuel for fireworks, may soon be replaced by resins, writes Della Bradshaw

"I THINK I've got the best job in the world," enthuses Ron Rapley, research director at Standard Fireworks, Europe's biggest firework manufacturer.

At the Hudddersfield site, perched high on a hill, Rapley and his team of chemists are responsible for devising ever more sumptuous cascades of red, green and white stars to the accompaniment of an ever more varied cacophony of whistles, crackles and bangs.

But as a recent recruit to the world of firework manufacture – until two years ago he was an accident investigator at the UK's Health and Safety executive – Rapley is acutely aware of the potential danger of making fireworks.

In the UK today 75m or so fireworks will be lit to commemorate the failed plot to blow up Parliament in 1605 by Guy Fawkes. Rockets, bangers, sparklers, catherine wheels and roman candles will all rely on gunpowder, a dangerous mixture of charcoal, sulphur and potassium nitrate. From next year, a new material could begin to replace the traditional explosive.

Rapley's team is working with researchers at the Cranfield Institute of Technology to investigate ways of using resins – viscous compounds which harden in air – to replace gunpowder in some of its fireworks. The result should be a safer manufacturing process.

The investigations are arduous, not least because gunpowder is a versatile firework component. Tiny grains of gunpowder are used as the blowing charge in bangers, while larger grains – the size of a peppercorn or even a pea – burn more slowly and produce more long-lasting effects. Gunpowder can also be compressed into pellets to form rocket motors. Lit at one end the pellet takes several seconds to burn – long enough to lift the rocket high into the sky.

Because resins are organic they act as a fuel and only need the addition of an oxidising agent – such as potassium nitrate – to produce a material to rival gunpowder. The resin, which is viscous, also acts as a binder for all the other ingredients.

The first step for Standard has been to investigate ways of using the new resin in the coloured stars which shoot out of roman candles and rockets. In many industries the development of the resin would be the bulk of the work, but the stringent safety requirements of firework manufacturing has meant that Standard has had to carry out strict trial procedures.

The tiny stars will be extruded, with a continuous flow of the viscous material being chopped into the appropriate size, like minced meat out of a mincing machine. Standard has already conducted successful test runs using a conventional extruding machine, but still needs to develop an appropriate conveyor belt system.


Remember, remember the 5th of November, resins, treason and plot

"We can't just put ordinary machines in," Rapley points out. "Every nook and cranny has to be considered. If there's a corner that explosives can get in to, they will."

Rapley is confident the resins will be safer than gunpowder. Not only is there less dust – less to be inhaled by employees as well as less to cause a spark – but the softer dough of the resin absorbs blows which the hard powder cannot.

Moreover resins open the way for machines which can be operated remotely. Today's fireworks are often constructed and filled by hand and at best the machines used need operators to stand close by. In the unlikely event of an accident, says Rapley, machines operated remotely would help minimise the casualties.

With a throughput of 70m fireworks a year, involving some 100m operations between them, the safety requirements for Standard are awesome. It would take just one operation in those 100m to go wrong for the result to be potentially fatal.

The safety precautions at Standard's Huddersfield site – there are two further locations near Wakefield – are necessarily stringent. Storage buildings are well away from the numerous small production sheds, which are grouped in twos with thick brick walls between so that if one shed blows up no other section is damaged. The electrical wiring is on the outside of the buildings to prevent sparks.

The gunpowder is stored separately under strict regulations. As none is manufactured in the UK – it has to be imported from Germany or former Yugoslavia – an expensive and difficult transportation procedure is involved.

If the new resins could replace gunpowder, Standard would need less secure storage facilities and could reduce its costs in both sourcing and transportation. "So few people make gunpowder to the quality we need – we're virtually single sourcing," explains Rapley. In addition the number of suppliers is continuing to decrease. "As each plant blows up they stop production. That's how it works."

Once the production of stars has been introduced successfully gunpowder looks set to be replaced in other fireworks. Next on the list could be fountains, for which Rapley is investigating the use of pourable resins so that the cardboard shell of the fountain could be filled with the pyrotechnic brew in the same way as toothpaste tubes are filled with toothpaste. The problem would be to ensure no gas bubbles remain in the mixture, as they would produce a bigger surface area for burning and result in chunks of the mix spurting out.

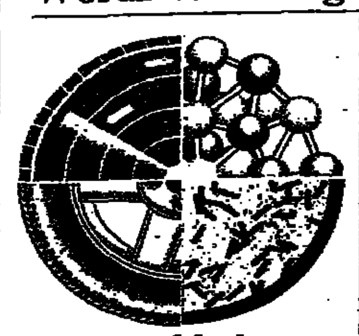
The next step could be to develop the pellet motors for rockets. "We would have a tremendous advantage if we could get into things like rocket motors," Rapley continues.

Other manufacturers could follow suit since the process is not proprietary. But it would take large volume production, says Rapley, to make it economical. For Standard, under pressure in its traditional UK market from cheaper, imported Chinese fireworks, cost reduction will be a welcome further advantage of the resin technology.

And for the consumer the result could be more stable and prettier fireworks. "I would hope we could produce some colours that we can't produce now," predicts Rapley. While greens, yellow, reds and whites are relatively easy to produce by adding fragments of barium, sodium, strontium and magnesium respectively, blues and purples are notoriously difficult to produce safely. "If the process is inherently safer," says Rapley, "we could perhaps add some ingredients that we can't use now."

Nonetheless, Rapley believes the versatility of gunpowder means it will be a long time – if ever – before it is replaced entirely. Which means the festive rhyme "gunpowder, treason and plot" has still some life left in it yet.

Worth Watching · Della Bradshaw



Pocket guide to electronic reading

For those Japanese commuters squashed into a train carriage and unable to spread open the pages of their morning newspaper, the Japanese electronics manufacturer NEC may have the answer.

The digital book player is a pocket-sized electronic reading device with a liquid crystal screen. The player uses floppy discs as a means of loading information into the machine – initially games, quizzes, guidebooks and teaching materials.

In the future the devices could be connected to telephone lines or other computers to download up-to-date financial statistics or the daily newspaper.

Unlike the exaggerated movements needed to turn over the page of a broadsheet newspaper, the digital book player turns the page at the press of a button. NEC: Japan, 03 3798 6511; UK, 071 353 4383.

Voice gets free ride on computers

Teleworkers who need to communicate regularly with their headquarters, or small offices that need to communicate with their parent company, could cut the cost of their telephone bills with a California-developed device that enables telephone calls or fax messages to be sent down the same telephone line as a data call.

The Sprinter does this by compressing the voice call and eliminating all the silences which punctuate the conversation. A similar technique is used to compress the fax message. They can then be sent alongside the computer-to-computer call, getting a "free ride".

The Sprinter can also be used on internal company networks. Each Sprinter costs £1,320; two are needed to make a successful call. Micom: US, 805 583 8600; UK, 0453 451960.

Extra protection in an emergency

The makers of Gore-Tex have developed a clothing fabric for emergency services which meets stringent US requirements and gives extra protection against Aids, writes Andrew Fisher.

Called Assist, it uses a membrane engineered with a polymer-based material and also gives protection against contaminated water, pesticides and corrosive and dangerous fluids. W.L. Gore & Associates: US, 410 392 3700; UK, 0506 412525

Terminal trip around Paris

Tourists in Paris can now get computer-aided guides to the city while they are changing their currency or travellers cheques.

Exact Change has installed 35 interactive terminals in 10 of its Parisian exchange bureaux. Tourists can use the terminals to inquire about restaurants, car rental or theatres. Once they have decided which type of car they want to hire, for example, they print out the details and then take the print-out to the cash desk to pay.

In the future, IN.form, the London-based company which devised the terminals, plans to introduce a credit-card payment facility into the system. IN.form: UK, 071 735 1880.

Nuclear tests for bungee jumpers

Project management techniques developed in the nuclear power industry have now been applied to that most unlikely of sports – bungee jumping.

Nigel Holloway, chief technical consultant at AEA, of Didcot, applied two safety principles used in the nuclear industry – redundancy and competence – to produce a code of practice for the bungee jumping industry. Redundancy means that any critical component in the jump should have a spare or redundant equivalent – the bungee ropes must be attached to the jumper by two separate means, for example.

Holloway is so confident of the procedures that he did a jump himself. AEA: UK, 0235 432435.

MANAGEMENT

CHRISTOPHER LORENZ

Uphill struggle to become 'horizontal'

IT IS easier to be converted to a radical new religion than to practise it. Even in fashion-mad America, where the religion of business process re-engineering has spread like wildfire over the past 12 months and about 50 per cent of large companies claim to be practising it, only 5 or 10 per cent are doing so properly, according to one of its high priests, James Champy. Most are finding it more daunting than expected.

So a sizeable dose of scepticism is appropriate about a related but even more revolutionary movement which is threatening to burst forth – that of the "horizontal organisation".

For anyone who has somehow missed all the hype surrounding business process re-engineering over the past year, it should be explained that it is an ungainly term coined by Champy and a fellow consultant, Michael Hammer to describe the complete redesign of the main operational processes of a company: order generation and fulfilment, logistics, product development and so on.

Re-engineering promises remarkable improvements in cost, quality, speed and productivity – sometimes more than tenfold. But it is hard to practise properly, since it entails vast political and human upheaval, including for people who keep their jobs.

In all but the smallest organisation, operational processes have always been carried out laboriously (in every sense) across a series of fragmented "functions" or specialist departments. These include product or service design, engineering, production, marketing, service and accounting.

Each has its own hierarchy, down and up which communication has to pass before it is transferred to the next department. Most western organisations have been only partly successful in bridging such vertical structures either with permanent "matrices" or temporary project teams, task forces and other "overlays", as consultants insist on calling them.

Re-engineering – or "core process redesign" as some of Hammer and Champy's rivals more accurately call it – goes a big step further. It transforms such processes into ones which flow permanently across the relevant departments at the appropriate level, usually pretty low. This involves not only "delayering" those departments, and removing front-line staff from them, but sometimes breaking them up.

Champy's 5-to-10 per cent of US companies and a smaller proportion of European ones, have reached various stages down this track. Treading warily in view of the wrenching changes involved, most have re-engineered just one of their key processes and others only a couple. Even at some of the fastest movers, such as Texas Instruments, the revolution has been confined so far to one, or just a few, of their business divisions.

The idea of horizontal organisations has been extolled in textbooks for years

Only a handful, such as Taco Bell and the Astra-Merck pharmaceuticals alliance in the US, and National and Provincial building society in Britain, have yet found religion to the extent of revolutionising structures at the top, as well as lower down and giving process responsibilities not just to junior and middle managers, but also to senior executives. To distinguish this from "mere" re-engineering, Hammer calls it "the process-managed organisation".

Two years ago the maverick N&P actually started its transformation at the top, before introducing it lower down. Assuming that the N&P's messianic chief executive survives last week's breakdown of his proposed merger with a more staid rival, Leeds Permanent (see right), N&P will soon become one of the few sizeable enterprises in Europe to warrant the "horizontal" label.

The idea of horizontal, team-based large organisations, with almost no hierarchy, has been extolled in academic textbooks for years. But is it realistic?

Like pavement prophets with their sandwich-boards, hyperbole-prone American professors and consultants have claimed repeatedly that its coming was nigh. But they have weakened their case by sticking the "horizontal" label on companies such as EDS, the US information technology services group. Although it is certainly very project- and team-based, it is still heavily hierarchical in parts.

But horizontal organisations are now at last arriving, swears Frank Ostroff, a New York-based consultant from McKinsey and Co. "This is real," he insists.

As Ostroff defines it, a horizontal organisation embraces not only "core process redesign" and all the other elements of a re-engineered one, but plenty more besides. Most important, it provides the overall structure, reward systems and multi-purpose skill-training needed to link all its teams together so that they perform miracles for the customer without creating process barriers which are just as harmful as the old departmental ones.

Ostroff's prescription shares several aspects of the concept of "organisational architecture" popularised in the US by a rival consultant, David Nadler and practised by Xerox.

In propounding his case, Ostroff suffers from the handicap of client confidentiality; some of the most striking cases of "horizontalisation" are still under wraps, he says. He also qualifies his own claims for horizontalism by saying that, even a decade from now, only perhaps 10 per cent of companies will be fully horizontal, and that most will be "hybrids", retaining a degree of verticality.

That is only realistic, given the impracticality of running almost any big company entirely without hierarchy. But it also shows up the term "horizontal" for what it will remain for most organisations: optimistic or misleading.

In the interests of clarity it should be replaced. Given the awfulness and ambiguity of well-trodden academic adjectives such as "differentiated", "hybrid" and "mixed", Hammer's awkward "process-managed" comes closest to the mark. Can anyone suggest a more stylish improvement?

Charlie Ferguson and Donal McKillop on a lesson for building societies

A bureaucratic legacy

Last week's collapse of plans to merge the Leeds Permanent and the National and Provincial contains management lessons for all UK building societies.

The differences – ultimately irreconcilable – between the traditional, hierarchical Leeds and the apparently less bureaucratic National and Provincial – have already been well publicised. But the episode should be set against the background of a wider shift away from centralised society structures.

Societies in the 1990s have been encouraged to flatten management hierarchies, decentralise decision-making and reduce the size of their head offices.

The pressure for this has come from a more deregulated financial services environment in which societies see the need to improve their responsiveness to customers. Traditional bureaucracies are seen as ill-suited to the new world of multi-product financial institutions, a perception which can only grow as societies seek permission to sell an even wider range of services.

In redesigning their management structures, societies have to strike the right balance between centralised direction from head office and delegated responsibility to divisions and branches. It is argued that shifting this balance in favour of flatter structures creates the conditions for new ways of doing things and meeting the customer's needs; but just how quickly the demise of traditional bureaucracy will occur within the sector is another matter.

How the numbers have ballooned

	Employees Head and administrative offices 1989	1992	Employees Branch level 1989	1992	Branch numbers 1989	1992
Halifax	2,865	3,887	17,286	17,018	745	704
Nationwide	3,067	4,864	6,253	7,022	913	757
Alliance and Leicester	1,815	5,990	2,735	4,274	408	409
Woolwich	1,830	2,156	3,583	5,883	553	523
Leeds Permanent	1,474	1,473	4,016	3,879	482	454
Cheltenham and Gloucester	591	1,258	1,061	1,295	172	215
Bradford and Bingley	1,018	1,573	1,458	1,948	251	273
National and Provincial	1,024	1,446	1,828	1,881	322	315

Source: Building society accounts

There are interesting paradoxes when the evidence is examined.

While efforts have certainly been made to push management responsibility down to branch level, building societies unlike other businesses in the financial services sector have not rationalised their head offices. As the table shows, what has happened is an increase in head office and administrative staff within the larger societies.

Ironically this is true of all top eight societies between 1989 and 1992 with the exception of the Leeds, whose head-office headcount was static over the period. Similarly, five of the top eight societies also show an increase in the numbers of branch staff, although five also recorded a decline in branch numbers during the period.

One conclusion might well be that bureaucracy is on the increase within the sector. But the real answer is more complicated. While product diversification on the one hand requires a less bureaucratic approach by building societies, it creates its own momentum for increases in staff numbers at the same time. Some societies claim the creation of their new back-office administrative centres is intended to free branch staff to concentrate more on serving customers' needs. The overall rise in staff numbers can therefore be seen as part of a customer-focused equation.

Alternatively, these figures may demonstrate there is something inherent in the traditional building society culture that makes staff reductions hard to pursue. Years of monopoly thinking, in a protected business environment, cannot change overnight. When the sector is tested against the organisational imperatives of the 1990s, one must conclude that many societies have a long way to go before they shake off their bureaucratic legacy.

The authors are respectively senior lecturer at Ulster Business School and lecturer, School of Finance and Information, Queen's University, Belfast. Their book, Building Societies: Structure, Performance & Change, was published this year by Graham & Trotman. Price £40.

Can cultural differences be overcome?

Cultural differences were cited as the main reason for calling off the proposed Leeds Permanent/National and Provincial merger, which would have created the third largest UK building society after Halifax and the Nationwide.

Leeds is seen as having a traditional, hierarchical structure. N&P, whose attempts to reshape its activities through business process re-engineering were profiled on this page on July 5, has adopted a different approach.

But when should a culture clash be allowed to derail a merger that is universally agreed to make strong commercial sense?

Philippe Haspeslagh, professor of corporate strategy and organisation at Insead, the business school outside Paris, observes: "Cultures are always different. Even between two companies in the same sector and country."

Mark Tilden of Gemini Consulting is more blunt: "If institutional shareholders were around this merger would have been pushed through."

Tilden agrees that cultural differences can be worked round but admits that there comes a point when "the future looks so unbearable it has to be called off".

Others are more adamant that the cultural differences were insurmountable, partly because of the personality of David O'Brien, N&P's chief executive, who would have been chief executive of the merged society. Some in the industry find his manner abrasive.

At the same time, though, many are convinced that a big commercial opportunity has been missed. Says Robert Baldock, a partner in the financial services division of Andersen Consulting: "If N&P had been different, this would have been a marriage made in heaven."

Simon Farnborough of the Boston Consulting Group agrees: "It comes down to the curious ownership structure of building societies. Without doubt, they've missed an opportunity. They would have been very powerful."

Nevertheless the episode should be kept in proportion, for as Baldock points out only 50 per cent of planned mergers take place. "Very few of those ever realise their potential."

If the cultures were really that different then at least the societies have avoided what could have been a disastrous error.

"If you find that there are such significant cultural differences, you are not going to be able to implement a joint business plan. They've been very brave," says Stephen Lawrence of Arthur D Little.

Adrian Michaels

Turnround at the tower

Andrew Jack on Canary Wharf's rise from administration

It began with an urgent telephone call in March last year, and rapidly escalated into one of the world's most high-profile insolvencies. Eighteen months on, Canary Wharf, a potent symbol of the late 1980s UK property boom and bust, has formally been taken out of administration by the English High Court. The way is now open for Canary Wharf's new owners – 12 banks – to fulfil the site's original, ambitious aims.

"In the words of the judge, we have now returned the keys to the management," said Mr Stephen Adamson, one of three administrators from accountants Ernst & Young. "It's all a bit of an anti-climax."

His co-administrator, Mr Nigel Hamilton, recalls responding to the first telephone call from Canary Wharf's lawyers. The message was clear: help was urgently needed to keep Canary Wharf solvent. "We were running about trying to put a package together," he said. "It developed into all-night sessions. Until the banks finally met, they didn't know the true position."

The position soon became clear enough to Mr Hamilton and his colleagues: no more money would be forthcoming to sustain Canary Wharf, in spite of promises of financial assistance by its parent company in Canada. Initial calculations suggested that an extra £350m would be needed to service debts, complete the development and attract more tenants through special concessions.

"Different banks had different views," he said. "There was quite a mismatch of attitudes. Finally one of the bankers said: 'This turkey won't fly'."

That left open two options for the creditor banks:

- First, to appoint administrative receivers in a bid to realise as much as possible from their loans by selling Canary Wharf. But such a move would have sacrificed important tax breaks and left open the possibility that unsecured creditors would push for liquidation.
- Second, to use the less familiar insolvency procedure of administration – which would have left existing directors in place and allowed the company to continue to trade.

The banks opted for the latter. The danger, however, with administration was that directors or creditors in the US or Canada might file for bankruptcy protection for Canary Wharf in their own countries, triggering complex negotiations between lawyers over the different countries' insolvency laws.

To prevent such an outcome, the banks approached a judge in his flat as soon as they had decided to opt for administration and before the decision became public knowledge.

The administrators' immediate priority was to ensure that the Canary Wharf site continued to function. They had to move quickly to secure assets on the site, to speak to staff and reassure tenants. "There was a big concern that the site would not be maintained. We were anxious to ensure that the landlords' obligations were met," said Mr Alan Bloom, the third administrator.

Meeting the landlords' obligations was unlikely to be easy or cheap: Olympia & York, Canary Wharf's parent company, had provided what Mr Bloom describes as a "Rolls-Royce" service to tenants. These included a commitment to subsidise the Riverbus service, which cost £900,000 during the administration alone. The banks initially agreed to put up a total of £10m between May 28 – the day the administration order was granted – and October last year to ensure that Canary Wharf continued to operate; to date, their support has topped £60m.

"Everything was complex," said Mr Adamson. Many contracts had to be renegotiated and administrators had to pore over the complexities of 50 companies within the Canary Wharf group, set up to exploit tax allowances.

At the same time, the administrators had to deal with about 1,400 creditors. English insolvency law only allows five creditors' representatives on a committee to scrutinise the work of administrators. But on this occasion, the Ernst & Young team allowed many more creditors to attend to maintain goodwill.

In addition, negotiations were continuing with the government on the vexed issue of the Jubilee tube line extention, linking Docklands with central London. The line, which had long been viewed as essential to the viability of Canary Wharf, was finally given the go-ahead last week.

Ernst & Young's aim in the first few months of the administration order was to find a buyer for Canary Wharf. Mr Adamson recalls one call in particular: "We were offered £1bn to knock the tower down so that 'His Highness' could land his jet at London City airport. We never found out who His Highness was."

More serious offers came from Hanson, the UK conglomerate, and from a North American consortium backed by the Reichmann brothers, Canary Wharf's developers. Eight potential investors were eventually given information under confidentiality agreements and three went onto conduct further legal inquiries.

In the event, no offer received by the administrators was considered a realistic commercial price. The administrators finally realised last Christmas that the banks would have to retain long-term ownership of Canary Wharf.

The last few months of the administration "were like six-dimensional chess", said Mr Adamson.

It was this complexity, and the delicacy of the negotiations with senior government officials, which Mr Adamson believes justify the administrators' fees of about £7m and a further £6m-£7m in related legal fees.

What finally emerged was a series of options – one plan to mothball Canary Wharf was codenamed Sleeping Beauty. The plan eventually put forward for creditors' approval – called a more mundane 1B – contained three elements: approval for the Jubilee line extention; the Department of Environment declining to move to Docklands in spite of initial interest in doing so; and a concerted bid to let the remainder of the building.

To win support from the unsecured creditors for a voluntary arrangement to leave administration the banks agreed to offer £27m to creditors – up to 15p in the pound, with a further 25p for those contractors willing to provide warranties on work already carried out on site.

Given the choice of something or nothing, the voluntary arrangement was overwhelmingly approved by creditors in September. Just two creditors – owed £53,000 out of a total of £86.3m – voted against.

In spite of the successful restructuring of Canary Wharf's debts, the task now facing the directors under the new chairman, Sir Peter Levene, remains immense: to fulfil Canary Wharf's original aim of becoming London premier office location.

Ashley Ashwood

To let: Canary Wharf is back in the hands of its management

Turning a new page at Pentos

Bill McGrath (right), currently deputy chairman of Wickes, the DIY and timber retailer, is to be the next chief executive at Pentos, Britain's second largest bookseller. Five weeks ago it announced its first ever losses and passed its interim dividend.

McGrath, a self-made businessman with a reputation for being "tough but fair", will succeed the outspoken Terry Maher, who was responsible for building Pentos into an important retailing force encompassing Dillons and Hatchards bookshops, the Ryman stationery and office equipment supplier and Athena posters. He formally retired as chairman and chief executive yesterday making way for Sir Kit McMahon, former Midland Bank chairman, to take over as chairman.

Sir Kit, who became deputy chairman at the end of September, will provide continuity between the outgoing and incoming chief executives but is eventually expected to make way for a new non-executive chairman.

McGrath, 53, began his working life as a trainee catering officer with Cunard Steamship Company in 1956, becoming deputy chief hotel officer before leaving Cunard in 1968. He is reported to have become a wine expert while working for Asda, initially as buying controller for wines and spirits, and joined Comet as managing director of its Timberland subsidiary in the early 1980s. Between 1985 and 1987 he was chief executive of Builders Mate, a company he founded and eventually sold to Wickes.

At Wickes he was appointed chief executive of Wickes Building supplies, the UK-based retail chain, and assumed responsibility for Wickes Continental and Malden Timber in 1991. Last year he became group managing director and was promoted to his current post last month; he is expected to take up the new one by the beginning of January. (See Observer)

VICKERS, the UK engineering group, is reorganising its top management to prepare for the retirement next year of Gerald Boxall, currently chairman and chief executive of Vickers Defence Systems.

Vickers, which has interests ranging from Challenger tanks to Rolls-Royce cars, and incubators, is expanding the roles of two of its other directors, Roger Head and Peter Ward.

With effect from December 1, Head, currently finance director, will become managing director, finance and planning, adding the function of corporate development to his present responsibility.

Ward, currently chairman and chief executive of Rolls-Royce Motor Cars, will become managing director, operations. He will remain responsible for Rolls-Royce Motor Cars but is also taking on the newly-established turbine technology and propulsion division as well as Vickers Pressings.

The new division will incorporate the aerospace components operations and the core marine engineering activities of KaMeWa, Stone Vickers and Michell Bearings. As a result of the reorganisation John Crook, previously chairman and chief executive of the marine engineering division, has left the company.

Sell to encourage French leave

Heading Britain's tourist organisations is not everyone's idea of fun. Tourism has not traditionally been a UK government priority. State funding for tourism is constantly under threat.

Adele Biss, a former PR consultant, agreed to become chairman of the British Tourist Authority last May. This week she announced that Anthony Sell is to be its chief executive.

Sell, 50, joins the BTA from Paris, where he has been managing director of the continental European operations of Thomas Cook, the travel and financial services group.

Sell comes to the job with no illusions. He does not expect the government to become substantially more generous in funding the authority. However, he had discussions with officials before deciding to take up the job; he does think they value the authority's work.

All the same, it took him five months to make up his mind to accept the post, which has been vacant since April. His predecessor, Michael Medlicott, left to join Delta Air Lines.

Sell brings to the post substantial experience of other countries and cultures. He speaks five languages other than English: Russian, French, German, Italian and Serbo-Croat. He also reads Spanish.

Before joining Thomas Cook, he was a director of Boosey & Hawkes, the instrument-maker and musical publisher, where his responsibilities included a French clarinet factory and four European music festivals.

Sell says his principal task will be to convey the variety of Britain's tourist offerings to potential visitors. He has been struck during his time in Paris by the number of French visitors to the UK who have told him they had no idea how beautiful the Lake District was or how much there was to do outside London.

Some have complained to him that they had to drive on the left. Although that is unlikely to change to accommodate French tourists, he says more must be done to help non-English speaking visitors find their way around.

Finance moves

George Cracknell has become executive vice-chairman of First National Finance Corporation, the consumer credit group, following the retirement as chief executive of Tom Wrigley.

Martin Mays-Smith, the chairman, explains that the group's structure has been changed on Wrigley's retirement in order to give the management of its two operating subsidiaries, FNB, the consumer finance subsidiary, and FNCB, the commercial lending bank, more room to run their own businesses.

In July, FNFC, which had earlier in the year found itself in breach of banking covenants, narrowly avoided collapse by securing a refinancing deal for its £1.1bn debt owed to 107 international banks.

Wrigley had been discussing his retirement for some time, but wanted to stay until the re-financing deal had been agreed; the announcement coincided with the group's financial year end on 31 October.

The change of structure exactly suits Cracknell, who had been a non-executive director of the group since February, and expects his new post to take up three to four days a week. Now aged 60, he retired in June from Barclays, where he had been deputy managing director in the banking division, and did not want to take on another "six day a week" job.

He was recommended to Mays-Smith as a non-executive director at the end of last year by Sir John Quinton, the former chairman of Barclays bank. The two organisations go back some way together; Barclays was involved in the rescue of FNFC in the mid-1970s, and Cracknell became a non-executive in succession to Roy Vine, a former vice chairman of Barclays Bank UK, who had been a FNFC director for 11 years.

"He is only quite recently out of the frontline, so he knows his way around," Mays-Smith says of Cracknell. "He has a very good reputation, and an up-to-date knowledge of all the banks too, which is quite useful in our current predicament."

■ Charles Etienne-Carton has been appointed a senior vice-president and head of fixed income sales and trading in Europe based in London of OPPENHEIMER & Co.

CONTRACTS & TENDERS

The spirit of Russian worship

Patricia Morison is intrigued by the icons from St Petersburg at the V&A

Gates of Mystery; The Art of Holy Russia at the Victoria and Albert Museum is the most revelatory exhibition to be seen in London this year. Not for 60 years has Russia lent such a collection of sacred art. Paintings, embroideries, sculptures, carvings and liturgical objects all come from the vast collection of the Russian Museum created in St Petersburg a century ago by Tsar Alexander II.

At a glance, one sees that Russian sacred art owes its essential character to Byzantium, which is to say the eastern Roman Empire. *Gates of Mystery* confronts us with an art familiar to the extent that we recognise figures like the Virgin Mary, St George and the dragon, or St Nicholas – although not one particularly delightful scene of his encounter with a carpet-seller. But the function of icons and, to a large extent their form too, is alien to Europeans with roots in a faith dominated by the Word rather than the Image.

Worship of the image (*eikon* in Greek) developed out of the Roman official cult of the emperor's portrait. During the persecution waged by six iconoclast emperors, monks and nuns died in defense of the icons which permeated Byzantine society. In 787 at the Council of Nicaea, the Iconodule party won, but the news was badly received in the west whose churchmen had long taken a dim view of "idolatrous" Greeks. In 794, the decisive mement came when Frankish bishops at Frankfurt condemned icons as non-Christian. Relics were to be venerated; images were not.

Two centuries later, icons became central to Russian life when Prince Vladimir of Kiev abandoned the paganism of his Viking forbears. His problem was to decide whether the Rus should become Catholic or Orthodox, Jews like the Khazars, or even Moslems like the Bulgars. Every Russian knows the story of how St Vladimir sent out envoys to discover which religion offered most. Rome was easily outshone by the wealth and beauty of Byzantium. Constantinople's churches, particularly Hagia Sophia, impressed the envoys as indescribably grand. God, they assured Vladimir, must certainly dwell there.

Drink clinched the matter. I quote the catalogue, which is remarkably well-written and interesting (£25) and has sold like hot cakes. "The Moslems' alleged idea of heaven which offered unlimited fornication was alluring for a man of Vladimir's alleged habits, but was more than canceled by their ban on alcohol. 'Drinking' said Vladimir, 'is the joy of the Rus. We cannot live without it.'"

It is fascinating to consider the consequences if Vladimir had not thought that the Rus should mix spirits and spirituality. As it was, the Russians were baptised into the Orthodox faith. Russian religious culture became almost inseparable from that of Byzantium, with the difference that Russians worshipped in Slavonic and knew nothing of Homer or Virgil.

The catalogue points out that attitudes to Old Russian art have changed since Soviet times, when emphasing the debt to Byzantium was frowned on. The 11th-century Chernigov gold pendant shows the Greek influence in an unexpected way. On one side stands the warrior figure of St Michael, beloved of Byzantine emperors. The reverse shows a creature who is half woman, half snake and appears on late Roman amulets as a protectress of women in childbirth. Inscriptions in both Greek and Slavonic show that she had been adopted by the then rather dubiously Christian ladies of Kiev.

It is fascinating to consider the consequences if St Vladimir had not thought that the Rus should mix spirits and spirituality

Apart from the Chernigov amulet, everything in the show dates from after the Mongolian invasions when a distinctively Russian style had developed. Choral music plays and lights flicker in an attempt to create the right mood for an art which is liturgical, focussed on the worship of God and his saints through their miraculous images.

So intriguing is the theology of icons that you may want to go beyond the catalogue, in which case I recommend Jaroslav Pelican's *Imago Dei* (Yale, 1990). Christians should worship icons but reserve the highest form of worship for God. "The icon is a reminder", taught St John of Damascus, the great apologist of iconodulism. It is a reminder of the miracle of the Incarnation when the godhead put on mere flesh and blood. The artist miraculously transforms matter to represent forms through which shine the divine light; windows onto eternity.

With its chalices in silver and wood, the exhibition draws attention to the centrality of the eucharist. Particularly evocative are the Royal Doors from a 16th-century icon-screen, or iconostasis, which divided the congregation from the mysteries beyond. They opened when the priest brought in the eucharist which had miraculously become the body and blood of Christ, a reminder of Christ the King's entry into Jerusalem and a promise of his eventual return. When the doors were shut, graceful icons of the annunciation, the evangelists, and a priestly Christ celebrating the eucharist, reminded worshippers of the mystery within.

Such a rich symbolism is typical of these icons, and nowhere more so than in a particularly lovely Trinity from Novgorod. Beneath the oak of Mamre, the three angels are served dinner by Abraham, Sarah, and their tiny servant boy. Angels and humans are linked in a circle in whose centre stands a chalice holding the minute head of a calf. Vermilion and gold predominate, the colours of sacrifice and love.

Admittedly, the immaterialist vision of the artists of 15th-century Novgorod or Kiev makes contemporary Bruges or Florence feel terribly far away. These monks cared nothing for the seductions of the natural world – nothing for a landscape seen through a window or for the shadow cast by a string of pearls. This oak of Mamre never rustled in the wind. To anyone wedded to a sensual western aesthetic, icons may for ever seem strange rather than beautiful. Nonetheless, *Gates of Mystery* opens our eyes to a belief in the miraculous power of art lost 12 centuries ago at Frankfurt.

Sponsors, B.A.T. Industries plc, the De Beers Centenary AG, Marc Rich & Col AG. Exhibition runs at the V&A, South Kensington, until January 8 (071-938-8361).

A lovely mid-16th century Trinity from Novgorod

Theatre

Chasing Moby Dick

John Haynes

David Calder (Captain Ahab) and company

The history of trying to turn novels into plays is not a happy one. Off-hand I can think of only a few successful examples. Two of them are from novels by Henry James. A third is *Nicholas Nickleby*.

So anyone who approaches the dramatisation of *Moby Dick* should do so with caution. True, it might make an opera. It is, after all, by the same author – Herman Melville – who nearly 40 years later wrote *Billy Budd*, which was picked up by Benjamin Britten. And it seems only yesterday that Cameron Mackintosh sought to turn *Moby Dick* into an eccentric musical.

The problem is not only that a large part of the book is an encyclopaedia of whaling and all that goes with it. It is also that the novel is full of symbolism. Captain Ahab may be chasing a whale, but at the same time he is having a battle royal with himself about his motivation. The book also contains a good deal about 19th century capitalism and notions of democracy. Since the symbolism exists on several levels, it is quite hard to translate it to the stage.

The Royal Shakespeare Company, playing at its small theatre in Stratford, The Other Place, has gone for the physical approach, so much so that the opening had to be postponed for a week because the leading actor, David Calder as Ahab, strained his back in rehearsal.

The production, directed by Gerry Mulgrew, is stunning to watch. Storms, masts, swinging from the ropes are all there, even at one stage the distinct impression of a harpoon being thrown directly into the audience. Set design is by Karen Tennent and, in the way of using every available device, no-one could ask for more.

But is it a play? Here there must be doubts. You may say that it does not matter much that we learn very little about whaling, though information has always seemed to me a fascinating part of the book. More important is the lack of characterisation. One of the most interesting figures in the book is Queequeg. In this production, apart from one scene where he climbs out of a coffin, he is just another member of the crew.

Calder's Ahab, played with a fine impression of a white-socked wooden leg, looks as if he is capable of being a commanding presence, but in practice seldom is. There is never much expectation that he has any chance of overcoming the whale. The staging is stacked against him.

Part of the fault lies in the dialogue adapted by the (in this case) slightly unfortunately named Rod Wooden. Melville relied heavily on the novelist's powers of description and narrative. A good play depends on spoken drama. Here, too much of it is flat. The actions speak louder than the words, which may be a good motto for a general or even a politician, but is an odd basis for a theatrical production.

There is an awful lot of action about in our big theatres at present. See, for example, the Royal National Theatre's production of *Machinal*, which suffers from the same faults as the RSC's *Moby Dick*.

The production of financially supported by JBA Ltd.

Malcolm Rutherford

Sofia Phil faces the future

Roderic Dunnett talks to the orchestra's conductor Emil Tabakov

Bulgaria's leading orchestra, the Sofia Philharmonic, is currently visiting England playing Berlioz, Debussy, Ravel and Mahler at a series of larger provincial venues, climaxing next week with an appearance at Birmingham's Symphony Hall.

Under communism, classical music flourished. Sofia's state-salaried opera (Boris Christoff was one its more famous alumni) threw under a series of conductors, including Emil Tchakarov, who made famous recordings of Mussorgsky shortly before his tragic death two years ago at the age of only 43.

The 120-strong Philharmonic regularly plays to capacity audiences at its home base, the 1920s-built Sofia Hall, which boasts one of the best acoustics in Bulgaria. But while politically this may be an auspicious time, financing an orchestra in the former Eastern Europe following Communism's demise is no simple matter.

Emil Tabakov, the Philharmonic's Chief Artistic Director and Principal Conductor since 1988, makes no bones about it: "Cultural life was better under communism," he says, "simply because there was an adequate budget. The state made good provision. Our dilemma now is that in the present rush to make money nobody cares sufficiently about culture. The support – both moral and financial – has withered."

The present extended UK tour was set up by London-based firm IMG Artists, liaising with a former Bulgarian State Concert Agency administrator, Nelly Lalova, who has launched her own fledgling private agency. IMG meets all the bills; orchestra and conductor receive expenses and a guaranteed fee.

"Orchestral salaries are still paid by the government, but they're very low – not enough with inflation (up to 100 per cent recently on some basic commodities). Despite a recent salary rise, players' basic pay is still only around 2,500 or Lv3,000 (£70) a month. So recording and tours are crucial to supplement players' incomes." Discussions under way with the best-selling Sheffield-based record company, Naxos, could prove a boon.

The long term answer may lie in commercial sponsorship from the newly-burgeoning private sector in Bulgaria. "Everywhere in the west we see commercial sponsorship as the norm," says Tabakov. "But we lack this experience of how to go about getting sponsors. We need time to accustomise. Our law still isn't geared up to independent sponsorship of the arts: the relevant bill has yet to be voted through parliament.

Politically this may be an auspicious time, but financing an orchestra in former Eastern Europe after communism is no simple matter

"Many people in Bulgaria – new private industry, some of the professions, the banks – sense the value of promoting themselves via the arts. But they will hold back till they can see the tax advantages. We urgently need this legislation: when it comes, it will be good for musicians and good for everyone."

Son of a Bulgarian lawyer, Tabakov studied double-bass in northern Bulgaria and took up the baton at 18. While a student he conducted his local symphony orchestra at Ruse, moving on to the Sofia Chamber Soloists. He graduated to the Philharmonic in 1985, becoming its musical director soon after. As a young string player, he encountered many of the outstanding conductors from both east and west. Watching and listening, he insists, remain as important as any part of a young conductor's training.

There are other problems. Some 60 players – virtually half the orchestra – have moved in the past three years, many to seek better-paid work abroad. "Just about every German orchestra has at least two Bulgarian players; likewise Italy, France and Spain. We have good youngsters emerging from the music academies, but they lack experience. Low salaries prevent us attracting Western orchestral players, any more than we can afford top soloists or conductors."

Is he pessimistic? "I'm naturally pessimistic, but we have to work at the problem and solve it. The sponsorship possibilities now look good. Once the tax law is agreed, I think we have a lot to offer. Our subscription concerts and the Sofia Music Weeks in May and June are all high profile events which attract a large proportion of Bulgaria's professional people. We can not only promote a sponsor's name at home, splashing it all over Sofia Hall and around the city, but on our foreign tours – to the UK, Germany, the US and Japan. That gives me some optimism for the future."

Is he not tempted abroad himself? "Well, yes, I am. I have regular commitments, not just in Europe but the Far East, South America and the US. But I try to make the Philharmonic my number one priority, and give it all the attention it needs. The first task is to keep the orchestra together, and its standards high. The key thing is that musical life in Bulgaria is not dead. These are difficult days, but we carry on doing our best. Each problem calls for a different solution. But we will manage to resolve them. Musicians are resilient people, you know."

The Sofia Philharmonic Orchestra performs at Birmingham's Symphony Hall on Monday, November 8 and goes on tour untill November 12. Contacts: IMG Artists, 081-747-9977; N. Lalova Management, Udovo 10/2, 1463 Sofia. Tel 010-359-2-235577.

INTERNATIONAL ARTS GUIDE

ITALIAN OPERA

For Italians, the only true form of opera is Italian opera. Italy is where opera was born, where voice and theatre have always been synonymous. So it is hardly surprising that Italian cities continue to devote their seasons to their native repertoire.

For the 1993-94 season, which gets under way over the next month, most theatres have a token German or French opera in a stagione of seven or eight; Milan sticks its neck out with three non-Italian works. Nowhere else will you hear such a wide range of 19th century Italian operas – and no other public generates such an atmosphere of excitement before the curtain rises on a well-loved work. You don't have to be a connoisseur in Italy to be a judge of voice: opera has always been part of popular culture.

La Scala opens on December 7 with Spontini's rarely-staged La Vestale, conducted by Riccardo Muti and staged by Liliana Cavani, with a cast led by Maria Dragoni. Muti also conducts Don Pasquale (March 22) and Rigoletto (May 14). Puccini is represented by La Rondine (Feb 16) and Rossini by Maometto II (March 8). The three non-Italian works are The Fiery Angel (Jan 14), Elektra conducted by Giuseppe Sinopoli (May 28) and Entführung conducted by Wolfgang Sawallisch (June 27).

Rossini, Donizetti, Bellini, Verdi and Puccini dominate the season everywhere else. Turin opens next week with Bellini's I Capuleti e I Montecchi, Bologna later in the month with Puccini's Trittico, followed by Naples and Venice with Rossini's Mose in Egitto. Among the more exotic offerings are Janacek's The Makropoulos Case in Turin and Bologna (sung in Italian with Raina Kabaivanska as Emilia Marty), Busoni's Turandot in Venice and both versions of Il barbiere di Siviglia – by Paisiello and Rossini – in Florence.

EXHIBITIONS GUIDE

AMSTERDAM
Rijksmuseum The Ottens Atlas: 80 maps and other topographical and historical prints, including a rare 1611 profile of Amsterdam and a splendid coloured copy of De Vou's famous 1694 map of Rotterdam. Ends Jan 30. Closed Mon
Van Gogh Museum Philippe Rousseau and Louis Welden Hawkins: neither Rousseau's still-lifes nor Hawkins' symbolist and decorative paintings are the work of a master, but they recall the striking role these 19th century French artists played in their own milieu. Ends Nov 14. Daily

BARCELONA
Museu Picasso Picasso and the Bulls. Ends Jan 9. Closed Mon (Carrer Montcada 15-19)

BASLE
Museum für Gegenwartskunst Joseph Beuys: four illustrated sketch-books from Projekt Westmensch 1958. Ends Jan 9. Closed Mon
Kunsthalle Andy Warhol Abstract: six late picture series. Ends Nov 14. Closed Mon

BIELEFELD
Kunsthalle Picasso's Late Work 1966-72: paintings and drawings from worldwide collections. Ends Jan 30. Closed Mon

BRUSSELS
Musée d'Ixelles From Giorgione to Tiepolo. Ends Dec 12. Closed Mon (71 rue Jean Van Volsem, tel 511 9084)
Palais des Beaux-Arts Jimmie Durham (b1940): paintings and sculptures by the controversial American Indian artist. Ends Nov 14. Closed Mon

CHICAGO
Art Institute Max Ernst: 180 paintings, collages, prints, drawings and photomontages, plus documents relating to Ernst and the Dada movement. Ends Nov 30. Daily

COLOGNE
Josef-Haubrich-Kunsthalle From Malevich to Kabakov: the Ludwig collection of 20th century Russian avant-garde art. Ends Jan 2. Daily

DUSSELDORF
Kunsthalle Vladimir Tatlin (1895-1956): first comprehensive exhibition in the West devoted to a leading member of the early 20th century Russian avant-garde, including abstract and realistic paintings, stage designs, costumes and furniture, mostly on loan from major Russian museums. Ends Nov 21. Closed Mon

HAMM
Gustav-Lübcke-Museum Secret Treasures of Egypt's Tombs: this newly-opened museum brings together North-Rhine-Westphalia's rich public collection of ancient Egyptian artefacts, which are being exhibited for the first time for many years, alongside the museum's growing collection of 20th century art. Ends Feb 27. Closed Mon

LONDON
Accademia Italiana Renaissance Florence: The Age of Lorenzo the Magnificent 1449-92. Ends Jan 23. Daily
Tate Gallery Ben Nicholson: centenary overview of the career of the British abstract painter. Ends Jan 9. Daily
Royal Academy of Arts Great Master Drawings from the Getty Museum. Ends Jan 23. American Art in the 20th Century. Ends Dec 12. Daily
Whitechapel Art Gallery Lucian Freud: paintings, drawings and etchings since 1980. Ends Nov 21. Closed Mon
British Museum Drawings from Chatsworth. Ends Jan 9. Daily
Marlborough Fine Art Francis Bacon: small portrait studies. Ends Dec 3.
Hayward Gallery Alphonse Mucha: retrospective of the Czech Art Nouveau artist. Ends Dec 12. Roger Hilton: 100 works by one of the most vital British painters of the postwar period. Ends Feb 6. Daily
National Portrait Gallery Thomas Eakins: retrospective of the 19th century American portraitist. Ends Jan 23. Daily
National Gallery The Wilton Diptych. Ends Dec 12. Ken Kiff: a sampling of the work of the Gallery's second associate artist. Ends Jan 9. Daily

MUNICH
Stadtmuseum Building for National Socialism: a revaluation of buildings created in Germany between 1933 and 1945, a period which has been regarded until recently as architecturally worthless. Ends Jan 9. Closed Mon
Villa Stuck Max Beckmann: 190 prints, woodcuts and lithographs 1901-46 from private German collections. Ends Nov 14. Closed Mon

NEW YORK
Museum of Modern Art Joan Miro: 400 paintings, drawings, sculptures, ceramics, prints and illustrated books by the Catalan master. Ends Jan 11. Robert Ryman: 80 works. Ends Jan 4. Closed Wed
Metropolitan Museum of Art The Annenberg Collection. Ends mid-Dec. Master Drawings of the Hudson River School. Ends Dec 26. Closed Mon
Guggenheim Museum Roy Lichtenstein. Ends Jan 16. The main museum is closed on Thurs, the SoHo site on Tues
Whitney Museum of American Art Mike Kelley (b1954): 170 paintings, drawings, sculptures and photographs by the influential Los Angeles artist. Ends Feb 20. Arshile Gorky's Betrothals. Ends Jan 9. Closed Mon

PARIS
Musée d'Orsay From Cézanne to Matisse: Masterworks from the Barnes Foundation. Ends Jan 2. Closed Mon, late opening Thurs (reservations: 4410 7300 or at Fnac shops)
Musée des Arts Décoratifs Fabergé: exquisite goldsmiths' work produced in Russia by the firm of Carl Fabergé from the 1870s to 1918. Ends Jan 2.
Grand Palais Les Nabis. Ends Jan 3. Closed Tues, late opening Wed
Petit Palais Masterworks from Leipzig. Ends Dec 5. Closed Mon
Musée d'Art Moderne de la Ville de Paris Gerhard Richter: 100 paintings by one of Germany's leading contemporary artists. Ends Nov 21. Closed Mon, late opening Wed (11 ave du President Wilson)

ROME
Palazzo Ruspoli Mino Maccari (1898-1989): an entertaining retrospective of one of the more eccentric Italian artists. Ends Nov 28. Daily
Palazzo Venezia Corrado Giaquinto: a reassessment of the late baroque artist, feted in European courts during his lifetime but thereafter unfairly neglected. Ends Nov 14. Closed Mon
Villa Medici Jean-Pierre Velly: 140 paintings and engravings by the winner of the 1966 Grand Prix de Rome. Ends Nov 28.

VENICE
Palazzo Grassi The Unknown Modigliani: 430 drawings from the private collection of the artist's friend Paul Alexandre, covering the years 1906-14. Ends Jan 4. Daily
Fondazione Cini Francesco Guardi: 50 works by the 18th century veduta painter. Ends Nov 21. Closed Mon

WASHINGTON
National Gallery of Art The Age of the Baroque in Portugal: 120 objects celebrating the artistic achievements and patronage of 18th century Portugal, including an elaborately gilded two-tonne coach created for an ambassadorial procession in Rome in 1716 and a 66-foot hand-painted tile frieze of the Lisbon skyline. Ends Feb 6. John James Audubon: 90 watercolours for his print series Birds of America. Ends Jan 2. Cesarini Venus: Giambologna's marble masterpiece (c1583) is the centrepoint of an exhibition focusing on the female nude. Ends Jan 17. Daily
Hirshhorn Museum Willem de Kooning. Ends Jan 9. Daily
Walters Art Gallery Sacred Art of Ethiopia. Ends Jan 9. Closed Mon
National Museum of American Art Pueblo Indian Watercolours. Ends Nov 29. Daily
Textile Museum A Textile Journey in Japan. Ends Feb 27. Daily

Powers of persuasion

Leyla Boulton on the fight for freedom of speech in Russia

Start press: the pro-communist Pravda is being published again AP

Just one month ago, parliamentary rebels were storming Moscow's main television tower. Mr Yegor Yakovlev, a 63-year-old newspaper editor and former television chief, says the media are now fighting a new battle, this time for freedom of speech – with the country's first democratically elected president on the other side of the barricades.

The first salvo in that battle came from Mr Vladimir Shumeiko, President Boris Yeltsin's new information minister, who announced recently that the media's task was to help develop a "new democratic ideology" for society. In future, he said, subsidies designed to help all media, most of which are state-owned, switch to a market system would go only to those that helped construct this ideology.

"I used to measure my freedom by the degree of criticism I could level at the authorities," says Mr Yakovlev, who, as editor of Moscow News, helped roll back the frontiers of communist censorship under President Mikhail Gorbachev's glasnost policy. "But when the democrats defeated the communists with the August 1991 coup, we found ourselves tied to the regime."

In the latest struggle, between Mr Yeltsin and his parliamentary adversaries, many editors chose to back the president and his radical reform programme. The defeat of the communist hardliners ironically cleared the way for presidential supporters like Mr Shumeiko to revert to a communist conception of the media as a tool for "shaping social consciousness". In particular, Mr Yeltsin's supporters want to use the media to help Russia's Choice, the electoral bloc set up by leading reformers in the cabinet, win a majority in the December 12 parliamentary elections.

Promising free and fair elections, Mr Yeltsin has invited foreign observers to monitor the polls. The electoral law promises "equal airtime" to all participants. Mr Yeltsin has also set up a special "arbitration court" to "protect mass media against unlawful interference in their activities during the electoral campaign and unhindered propaganda for or against candidates".

Even if each party is given equal amount of time for political broadcasts, the real test of fairness will be in the balance of day-to-day news coverage and the amount of debate shown among candidates.

Newspapers – including the pro-communist Pravda, which reopened this week after being closed in the wake of the uprising – are also lining up to campaign for alternative political groups. Rabochaya Tribuna, funded by Mr Arkady Volsky's Union of Industrialists and Entrepreneurs, is backing his centrist Civic Union alliance. But the newspapers' influence remains negligible compared with that of television.

This is mainly because television in Russia, the biggest country in the world, covers huge expanses of territory that candidates cannot hope to cover, and because of a strong perception among Russians that what appears on television must be true.

"Of course we believe what we see on television, out of habit, all the more so because the people now in charge are supposed to be democrats, not communists," says Olga, a Moscow cook. "But sometimes you feel that things are not quite right. I try to watch all the news programmes and look out for differences between them to form my opinion."

Mr Yakovlev, who was chief of the Ostankino television station, one of the two nationwide state-owned channels, until he was sacked last winter by Mr Yeltsin for trying to stay neutral over the struggle with parliament, claims he is again working for a "one-party system". Its election coverage has been dominated by stories about Russia's Choice, with only a few references to what other parties are saying.

The government's increasingly strong-arm tactics towards the media also underline the vulnerable economics of an industry dependent on state subsidies. Russian Television, the other main state network, for instance, receives Rbs30bn ($25,000) a year; its advertising revenues total just Rbs400m.

Emerging independent companies, such as the New Television Company established by Mr Vladimir Gussinsky, a banking and construction magnate, are not immune to government pressure. NTV employees say that the state-owned St Petersburg television channel is being urged to break off its contract to broadcast NTV programmes, which are seen as too independent.

Its weekly news digest recently aired interviews with the leaders of anti-government parties, ranging from the pro-reform bloc of Mr Grigory Yavlinsky, the economist, to the Civic Union. It also appealed for a public voice for the supporters of the dissolved parliament. This, however, was followed by a complimentary report on Mr Yeltsin's trip to the town of Yaroslavl the day before. The programme ended with the "sensational news" that Mr Ruslan Khasbulatov, former parliamentary speaker and co-leader of parliament's revolt, had, according to an Arab newspaper, received millions of dollars in secret subsidies from Iraq.

Attempts to use the media for the government's own ends pose two immediate risks for Mr Yeltsin.

One is that he risks alienating supporters of economic and political reforms. The second is that it could drive underground the views of a sizeable minority – 10-20 per cent of the population – who supported the parliamentary rebels. When the rebels stormed Ostankino television station on October 3, it was because Mr Alexander Rutskoi, the former vice-president now in jail for ordering the attack, said they needed airtime to help them seize power. But there was also anger among the hardliners against what they saw as biased coverage.

Now that that struggle is over, and there is no parliament to hold the government to account, balanced coverage has become imperative in the transition to a new parliament. As Mr Anatoly Sobchak, the liberal mayor of St Petersburg, put it: "In conditions of presidential rule, it is more essential than ever to create as democratic an atmosphere as possible."

But old habits are unlikely to die quickly. Indicative of the leadership's cynicism about the media was the response of Mr Victor Gerashchenko, the central bank governor, who was accountable to the former parliament, to an Izvestia report that he had transferred Rbs600m to the Russian parliament the day after Mr Yeltsin suspended it. "Yes, that's so," he reportedly told Mr Igor Golembiovsky, the newspaper's editor. "But why did you have to write about it?"

While it remains uncertain how democratic the new Russian parliament will be, the media remains the only source of healthy criticism of the government. If Mr Yeltsin denies such expression, it will indicate that his rule is becoming irreversibly intolerant.

Joe Rogaly

Tough talk is not enough

Prison works, says the home secretary. Does it? Consider the 47,000 convicted offenders he keeps behind bars. Many are inadequate, or institutionalised. Too many suffer from mental abnormality and drug and alcohol dependence. Many are simply dangerous. Some are evil, and need to be kept out of society for a very long time.

This characterisation is not mine. I have lifted it, word for word, from the speech delivered by Mr Michael Howard to the prison service on Wednesday. We can agree on the dangerous and violent convicts he accommodates at an average cost to taxpayers of some £22,000 a year, each. You will get no liberal whining about that lot from me. Bang 'em up and lose the keys.

What of the rest – the majority of time-servers? Mr Howard says that crime is reduced by incarcerating them. He gives two reasons. Criminals cannot be housebreaking or car-smashing or whatever while locked in. When outside, they are deterred by the knowledge that offending leads to jail. Anyhow, nobody knows how to prevent crime. The home secretary can only ensure that the courts, the police and the prison service function effectively. This is disingenuous, silky barrister-talk. Inadequates, the institutionalised, the mentally abnormal, and drug or drink dependents are society's failures. Not all of them are, as the Victorians might have insisted, Satan's children. Very few of us are inherently wicked.

There has to be a correlation between the number of social failures and the rate of unemployment, the availability of affordable housing, and the effectiveness of education. Perhaps television violence plays its part. Governments, if not home secretaries, can do something in each of these areas. They can also watch their mouths. Politicians cannot inculcate moral values, but the values they espouse do matter. Privateer capitalism is a wonderful mechanism, but it does not teach self-restraint, or discipline, or respect for the criminal law. It merely asks that the lower classes be born with such qualities.

This is not to condone crime. Mr Howard's hopeless cases have doubtless been imprisoned for sound reasons, but he should know that they will be more likely to offend when released. There will be more victims, not fewer. As to deterrence, certainty of capture is the key. If thieves do not believe that they will be caught, sentences of 100 years plus life will not deter them. Habitual criminals, who may be rounded up after a spate of burglaries in a particular area, may regard their chances of getting away with it as too low for comfort. In such cases, putting them in jail *may* be a cost-effective means of reducing crime, as some evidence suggests.

Privateer capitalism is a wonderful mechanism, but it does not teach self-restraint or respect for the criminal law

Whatever its value, prison alone is not the answer. The numbers tell the story. Criminal statistics are notoriously unreliable, but the official ones are all we have. We must do our best with them. According to the British crime survey, published by the Home Office on Wednesday, some 15m offences were committed against individuals and their property in 1991. That is an increase of 36 per cent over the 1981 estimate. About a third of these were recorded in police incident books. The police "clear up" about 26 per cent of the crimes they record. The proportion of crimes resulting in conviction, the BCS notes, is about 3 per cent. We know that only a fraction of those end in imprisonment. Seen in this perspective, Mr Howard's plan to build six new prisons aims a thimbleful of water at a prairie fire. If the new jails are, like the old, universities of crime, it might even be a thimbleful of petrol.

Very well, you say, what should he do? First, he can make the police more efficient. Yesterday's report from the Audit Commission suggests ways of using police time more effectively. The government may accept these recommendations. The rest of us will wonder what the law 'n' order Tories have been doing about police management during the past 14 years. Mr Howard's celebrated "27 points", announced at the recent Conservative party conference, are, he says, designed to facilitate the detection of crime and the conviction of the guilty. Some of the latter will be sent down. That is why he is building more prisons. Disingenuity is this chap's art form.

Next, the home secretary can focus on crime prevention. The Audit Commission says that the police cannot be held responsible if cars are manufactured with poor security, or if individuals do not do all that can reasonably be expected of them to protect their own property. Oh yes? It was just this point that landed Lord Woolf in such trouble when he criticised the home secretary's approach a few weeks ago. Yet here is the Audit Commission saying the same thing, only leaving out the Woolf slip-up, which was to suggest fines for people who failed to protect their property.

And over here is the BCS report, which tells us that "the technology exists to make cars much harder to break into, and much harder to drive away", and that "there is also room for encouraging builders to 'design out' opportunities for crime". It floats the notion of discounts on insurance for houses that are properly burglar-proofed. If he works on these themes, Mr Howard will be tackling half the recorded crime at one go. He says that the government is spending £200m a year on crime prevention, which he supports. Silly us. We had not realised that he has been stressing a strategy of prevention.

As to violence, most assaults are caused by drunkenness. The British yobbo is the product of the demon drink. Mr Howard might invite his predecessor, now chancellor, to raise the price of alcohol. Tax differentials could be used to encourage the sales of low-alchohol beers and wines. Domestic violence, or the dreadful random murders we read about are tragedies that no minister can prevent.

The real question that should be asked of the home secretary is, does he think talking tough works for him? It went down a treat at the Tory conference, but thinking voters prefer the "tough on crime, tough on the causes of crime" approach of Labour's shadow home secretary, Mr Tony Blair. Mr Howard may feel that his policies add up to the same thing, but he has a long way to go to convince the rest of us. He has an intellectual argument to win. His career depends on it.

LETTERS TO THE EDITOR

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Fax 071 873 5938. *Letters transmitted should be clearly typed and not hand written. Please set fax for finest resolution*

Pay is not decided by the market

From Dr Michael Rowlinson.

Sir, The articles on performance-related pay (Management: "Rewards for the top performers", November 3) pose the question of why PRP seems unstoppable even though there is little or no evidence that it has any positive effect on motivation. Two reasons for the popularity of PRP can be suggested.

First, with PRP each individual can be rewarded differently, even though employees' actual output on specific activities may be the same. This is unlike other types of individual performance pay, in particular payment by results (PBR), typified by piece rates. Being based on appraisals rather than just measures of output, PRP can take account of factors that are not easily quantifiable, such as commitment and initiative. At the same time this makes it difficult for workers to get together to fix their output and pay in the way that they were able to do with piece rates, which were once the basis of shop stewards' strength in industries such as car assembly.

Second, government patronage of PRP probably owes something to a naive belief that PRP embodies principles derived from free market economic models that can be applied to management. But the view that "the market" decides practically everything that is not decided by government leaves no role for management. In fact, as anyone who receives PRP must be aware, their level of pay is not decided by "the market" but by the subjective judgments of the manager who appraises them.

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Cadbury code not been undermined

From Mr G Acher.

Sir, There has been much coverage of the losses at Queens Moat Houses. There are two areas that investors and lenders must consider.

First, the apparent lack of basic financial controls. This adds fuel to the Cadbury debate. Sceptics have said that compliance with many of Cadbury's structural recommendations did nothing to prevent the problems, which only proves that Cadbury achieves little.

I take a different view. I support the thrust of the Cadbury Code, but structures alone are not enough. Directors must also understand their responsibilities, and above all act on them. The public statement that Cadbury requires on internal controls will concentrate directors' minds on this task and this must be a good thing. But understanding needs robust, straightforward guidance – not academic tracts. The challenge for the business community is to produce this. At present this has not been achieved and we must now all work together to construct guidance that is truly practical.

The second issue is the divergent hotel valuations. Blaming the surveyors is all too easy. A hotel valuation involves valuing a business. What financial information and forecasts were the surveyors given? How reliable was this information? Did the auditors or the surveyors verify it? Even where the financial information is the same, different judgments may be made. The skills required to value a business are much broader than those normally expected of a surveyor in valuing an investment property. Is it a really a job for surveyors alone?

I believe that the surveyors and the accounting profession must work together to establish a framework that can command the confidence of the business community.

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No taboo on privatisation

From Mr R Andreas Kraemer.

Sir, In the tale of two east German cities, Judy Dempsey reports that a shortfall of revenue could speed up the privatisation of local services, "almost taboo in western Germany" ("Reconstructing bankrupt east Germany", November 3). Nonsense. Outside the Free State of Bavaria, there are few German cities the size of Rostock or Halle where local services are not run by private companies. German municipalities may establish joint stock companies as municipal enterprises for their provision.

"Formal privatisation" combines independence of management guaranteed by company law, direct access to the financial markets and courts, and flexibility of private sector options with the rigours of commercial accountancy requirements and strategic political control through municipal ownership. With these benefits, there has been little need for other types of privatisation in Germany.

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Welcome move on discrimination damages

From Mr Herman Ouseley.

Sir, The hurt and the damage inflicted by racial discrimination have for too long been trivialised by the low level of damages industrial tribunals have been allowed to award. We therefore welcome ministers' announcements in recent days that the upper limit on compensation in discrimination cases is to be abolished.

In the last year for which we have statistics the average award by tribunals was £3,165 and the average settlement £3,981. These sorts of amounts do not act as a proper deterrent and they do not encourage victims to take up cases. We have been pressing government for many years to make this change so that tribunal decisions can play a full part in the process of securing an end to discrimination in employment. The Marshall judgment in the European Court appears to have cut the Gordian knot for ministers and encouraged some clear action.

It will fit well with the growing understanding in management practice that the provision of equality of opportunity is good for business, whereas discrimination is bad. The problem is that, while such arguments have been given wider currency in management theory, we still see discrimination playing an all too substantial part in the life of many ethnic minority employees. Meaningful and serious awards at tribunals will, we hope, help to clarify management minds on this.

We also hope the government does not leave this proposal on the shelf so far as racial discrimination is concerned. A quick amendment bill this coming session would send the signal we have long wanted discriminators to get.

Herman Ouseley,
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Facts speak for themselves in review of local government

From Councillor Margaret Singh.

Sir, I can only explain my friend and colleague Josie Farrington's views on the local government review (Letter, October 30) by reminding myself that she is speaking on behalf of the Association of County Councils and that county councils are due to be abolished if the review continues as scheduled.

In attempting to make her argument against reform she attacks both a government minister (David Curry) and tries to quote public opinion in her argument. Neither is justified. The ACC knows there is a consensus between the three national political parties about the review. This is clear from the parties' manifestos at the last election. If she is looking for some authoritative historical support for the Labour party's position, I refer her to Aneurin Bevan speaking in 1954: "There is little or no spiritual identification by the citizen with the administrative county … Its disappearance would involve the dispersal of sometimes highly efficient teams of officials but no emotional disturbance among the electorate embraced by it."

As for the public opinion polls she mentions – but does not detail – what they actually show (based on three polls on a sample of more than 6,000 individuals) is that 65 per cent of respondents expressing a view want to see a single local council in their locality rather than the existing two councils (district and county).

This finding is not really surprising. Two councils equals confusion about which is responsible for which service. There can be little genuine local accountability without clarity of responsibility.

A single local council in each area, based as locally to citizens as possible, will result in both efficiency gains and greatly improved local accountability. This is, therefore, one reform for which the government does not deserve to be criticised.

We do not wish to squabble with our colleagues in counties – the provision of quality services is our prime concern – but the facts speak for themselves, if properly reported.

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Byatt's water escalator

UK WATER customers have had a poor deal on prices since privatisation. While telephone prices are falling by 7.5 per cent a year after inflation, and gas consumers' bills are coming down by 5 per cent, water charges are rising by 5 per cent. This price escalation must be stopped, Mr Ian Byatt, Ofwat's director-general, said yesterday.

Such words will be music to customers' ears. But unfortunately it is doubtful that Mr Byatt, who is responsible for regulating water charges, can deliver an end to above-inflation price increases. His freedom of action is constrained by expensive obligations to clean up sewage and improve water quality imposed by government and the European Community. In setting charges, he is required to ensure water companies earn sufficient returns to finance investment – now £3.5bn a year but slated to rise by £1.5bn if obligations agreed since privatisation are maintained.

Mr Byatt has for the past year campaigned against some obligations on the grounds that they are unnecessary to improve public health and too expensive. Ministers, influenced by the fact that escalating water charges are a political issue, are coming round to his view. But given that the obligations are enshrined in Community law, renegotiating them will be difficult.

Mr Byatt is therefore turning his attention to those areas where he does have authority. He plans to bear down on the industry's profitability, arguing that current levels of profits are not needed since the industry's cost of capital is only 5-6 per cent in real terms. That compares with the 7 per cent the government thought necessary at privatisation and the 6¾-7¾ per cent advocated by the Monopolies and Mergers Commission in its recent review of British Gas.

The discrepancy between Ofwat and the MMC's figures is largely explained by the fact that water is an even lower risk business than gas. The prospects that competition will develop are slim, while it is hard to envisage the demand for water being undermined by technological developments. The higher government figure reflects the fact that the water industry was fattened up for flotation in 1989. The consequence is that water shares have risen by about 130 per cent since privatisation. Now Mr Byatt plans to reduce those excess margins, although the change will be phased in over a decade.

The effect of this tough but fair approach is that Ofwat will be able to slow down the price escalator but not stop it entirely. To achieve that, ministers will have to work harder to reverse EC directives. To give them an incentive, Mr Byatt might consider splitting the K-factor, specifying how fast prices can rise, into two parts when he sets new price controls next year. An X-factor would show price cuts flowing from improved efficiency and lower profitability, while a Q-factor would show increases due to obligations agreed by ministers. That way, customers would know whom to blame for higher bills.

Pacific ties

LEADERS of Pacific Rim countries will meet this month to discuss whether they should establish new mechanisms for economic co-operation. By inviting his counterparts to an informal meeting in Seattle, President Bill Clinton has raised the possibility of closer relations within Asia, which could cause misgivings elsewhere about a potential new trade bloc.

Until recently, Asia Pacific Economic Co-operation – the grouping that is to meet in Seattle – has lacked substance because its 15 members have seen little advantage in promoting it. Apec nations compete fiercely with each other for export markets and have outstanding political problems (China, Taiwan and Hong Kong are all members) as well as historical enmities among themselves. Many were in because they did not want to be left out or – as in the case of the US – to ward off formation of regional blocs from that they might be excluded.

But the picture has been changed by an apparent increase in US enthusiasm for Apec. It is easy to see why. Washington wants to find new ways to ensure harmony across the Pacific. US trade with Asia already far exceeds trade with Europe. Asia provides US jobs as well as a fruitful area for investment by US companies. But there are persistent trade frictions. At the same time, the US wants to continue to play a balancing role in ensuring Asia's security, but without the expensive troop presence that the cold war demanded. If Asian countries, with their complex web of bilateral relationships, can be persuaded to air problems in a multilateral forum that includes the US, the risks of confrontation are likely to be reduced.

In Seattle, the leaders will have before them an Eminent Persons' report, which recommends specific steps towards free trade in the region and an Asia-Pacific economic community – though without a single internal market. It is not clear, however, to what extent Asia-Pacific governments will want to commit themselves to an ambitious programme of co-operation. Some south-east Asian countries, particularly Malaysia, have reservations. The likelihood of strong political commitment from the US to a new free trade area is questionable to say the least, given the difficulties of the North American Free Trade Agreement.

Nevertheless, it seems that greater economic co-operation and a general commitment to reducing barriers will emerge. The world seems likely to benefit from a stable political and economic environment as well as fewer trade barriers in the part of the world that will account for a progressively greater share of exports, imports and investment. Though a move by Apec to reduce trade barriers without discriminating against outsiders would be welcome, it seems, however, no easier to achieve than global liberalisation. The Uruguay Round remains the highest priority.

Urban challenge

BUSINESSES, LOCAL authorities and voluntary organisations wanting access to UK government money for economic regeneration face a bewildering variety of programmes. Several government departments have cash to spend, each with their own priorities, and each jealously guarding their prerogatives. The creation of a single regeneration budget for England, announced yesterday by Mr John Gummer, the environment secretary, is therefore a welcome step.

The move will bring together 20 programmes from five government departments to create a fund worth £1.4bn for economic regeneration. A new cabinet sub-committee will control the budget and set overall priorities for its use. To avoid confusing lines of accountability, Mr Gummer will be accountable for all five departments' share of the budget – an unusual and sensible innovation.

Bringing together these programmes will also make it easier to integrate regeneration projects. Restoring a run-down housing estate can currently mean applying to the environment department for Estate Action money, to the Home Office for Safer Cities funding and the employment department for business start-ups. In future, a single bid will suffice.

Equally welcome is the accompanying reorganisation of the local offices of the Whitehall departments involved. Ten government regional offices will be created, each headed by a senior civil servant. These regional directors will provide a single point of access for those wanting a share of the unified regeneration budget, and will monitor progress locally.

The third leg of yesterday's announcement is City Pride, an invitation to city leaders to create a vision of where they want their cities to be in 10 years. Ministers have been impressed by the way that Manchester's Olympic bid succeeded in creating new alliances between business, community groups and the local authorities to improve the city. Creating similar alliances in other cities will help in drawing up local priorities and in formulating bids for the regeneration budget.

Ministers have heralded yesterday's package as a small constitutional revolution, delegating responsibility for spending the economic regeneration programme from Whitehall to the regions. That may be over-egging the pudding: it will still be central government that holds the purse strings. And it is unlikely that departments will be able to resist introducing new programmes in the future to deal with specific problems. Ministers may also find new initiatives and new programmes irresistible, especially around party conference time.

Yet the new structure announced yesterday is an improvement on the old multiplicity of programmes. It will bring a new coherence to government spending on regeneration and further encourage the partnerships which are central to success in local economic development.

Laying the ghost of engines past

The hopes riding on Rolls-Royce's new Trent 800 expose nervousness about a solo strategy, says Paul Betts

On giant test beds in Derby, in the British Midlands, Rolls-Royce has begun running the Trent 800: the most powerful commercial aircraft engine it has ever built. The last time it developed a new high-thrust civil aero-engine – the original RB211 – it went bust.

For any aero-engine manufacturer, this is the moment of truth. It is a critical period when a company's new technologies in aero-engine design and manufacturing, developed over several years at a cost of about $1m a day, come to a head. In short, the next few months will confirm whether the Trent 800 is any good as a flying device.

The tests could not come at a more difficult time for Rolls-Royce. "Life has become very tough," concedes Sir Ralph Robins, the company's chairman. "We haven't had any serious surprises with the Trent 800, but the market is the big worry. I can't see any recovery before 1995 or 1996."

Rolls-Royce launched its ambitious £400m Trent engine programme in the boom days of 1988, when airlines went on an unprecedented spending spree for new aircraft and engines. "We did not expect the severity of the downturn, but we undertook commitments to develop the Trent and we are keeping them," says Mr Stewart Miller, the company's head of engineering.

The difficulties are not confined to Rolls-Royce: its two bigger US rivals, General Electric and Pratt & Whitney, are also developing competing high-thrust engines to power the new generation of widebody airliners, which will start entering airline service in the next two years. The immediate problem for all these companies is that development spending is peaking in the middle of the worst recession in the industry's postwar history.

"We won't see any massive Trent business for three to four years, but it is sustainable," says Sir Ralph, whose company recently bolstered its balance sheet with a £307m rights issue.

Mr Keith Hodgkinson, London aerospace analyst with US investment house Shearson Lehman, explains: "They have been caught in the classic pincers, with research and development costs running very high at a time when cash flow is inhibited by poor trading conditions."

The stakes are even higher for Rolls-Royce than for its two big US competitors. Despite efforts during the past five years to diversify into the industrial power sector, the UK company continues to rely far more heavily on its aero-engine business than the US companies, both part of larger, diversified industrial groups.

For Rolls-Royce, the battle for the big engine market has also assumed a peculiar psychological dimension. Although it is reluctant to acknowledge it, the company is still haunted by its past.

Twenty-two years ago, it was forced into receivership and subsequent public ownership when it attempted to enter the then rapidly expanding long-range civil jet market. By its own admission, the company overstretched itself technologically and financially with the RB211, the progenitor of the Trent, which it now hopes will secure its long-term future.

The company is in a much stronger position today, says Mr Miller. "Our success to some extent stems from the difficult technical situations we recovered from," he explains. "Some of our difficulty with the original RB211 was the lack of the detailed technical capability to do justice to the concept of the engine; but the concept itself proved absolutely right."

From the original RB211 stemmed all the company's high-thrust commercial engines. Together with its smaller power plants, this has enabled Rolls-Royce to expand its product range and increase its share of the world civil aero-engine market in the past 10 years, from only 8 per cent to 22 per cent.

At the same time, the company has sought to broaden its base, by enlarging its activities in the industrial power business with its 1989 merger with Northern Engineering Industries. Industrial power now accounts for about 40 per cent of Rolls-Royce's £3.5bn annual sales. In the first half of this year, with aerospace earnings squeezed by the prolonged recession, it provided the bulk of the company's profits before interest: £35m out of a total of £40m.

But much of the company's long-term future rests on the Trent. Rolls-Royce predicts that, in 20 years, 50 per cent or more of the airline market will be powered by engines with thrusts greater than 60,000lb, predominantly for larger twin-engined aircraft.

"It was evident that it was fundamental to the continued success and indeed long-term survival of Rolls-Royce and of its UK suppliers that a substantial share of this market should be secured," the company told a House of Commons aviation committee this summer.

Three versions of the Trent have been launched. However, work on the first and smallest model – the Trent 600 for the McDonnell Douglas MD11 three-engine aircraft – has been halted because of the collapse in 1991 of the Air Europe airline, the launch customer, and low demand for the MD11, which has been badly hit by the slump in aircraft orders.

The other two models are the Trent 700, with 72,000lb of thrust, for the Airbus A330 twin-engine airliner and the Trent 800, with more than 80,000lb of thrust, for the Boeing 777 twin jet.

But the company's recent technical achievements (the first tests on the Trent 800 last month were successful) have failed to produce any immediate financial benefits. Even after a sweeping cost-reduction programme and favourable foreign currency swings, the aero-engine activities mustered a profit of only £5m on sales of £1.078bn in the first half of this year.

Fierce commercial pressures are likely to continue during the next two years. All three big aero-engine makers are locked in combat to win new business in a diminishing market depressed by airline losses and overcapacity.

In the meantime, Rolls-Royce is having to spend a large amount developing its new generation of high-thrust engines. "The high rate of R&D was exactly what we predicted and it is now peaking," says Sir Ralph, adding that annual R&D expenditure was expected to decline gradually, from £240m-£250m today to about £150m in 1998.

Two separate factors have put additional pressure on the company's R&D resources.

The post-cold war decline in the defence sector has seen the company's military business shrink. In turn, this has meant a reduction on government-funded aero-engine R&D programmes, which have traditionally had important spin-offs for commercial engines.

Concurrently, Rolls-Royce has had to increase the thrust ratings on its new Trent family much faster than expected, because of earlier than anticipated demand for the heavier, longer-range version of the Boeing 777, adding to its already substantial R&D effort.

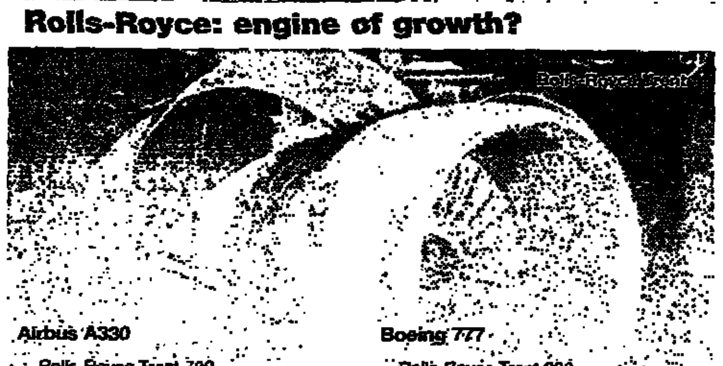
Although risk-sharing partners, including BMW, Lucas and Japanese manufacturers, have invested in up to 25 per cent of the Trent programme, this still leaves Rolls-Royce with a heavy burden. The question is whether it has the necessary resources to undertake on its own the next step in the competition to take engine thrusts even higher, into the 100,000lb zone.

After its short-lived and acrimonious attempt to form a strategic partnership with GE seven years ago, it is difficult to see Rolls-Royce renewing collaboration on big engines with the group. That leaves Pratt & Whitney, with which Rolls-Royce already co-operates on the smaller V2500 engine.

There is a compelling economic case for the two companies to work together. Both are coming under increasing pressure from GE, which is rapidly becoming dominant in the aircraft business, not only through its aero-engine division but also through its aircraft leasing activities, recently enlarged by its rescue of GPA, the Irish leasing company.

Both companies have been circumspect about possible co-operation in the big civil engine market. But as Mr Chris Tarry, aerospace analyst at British investment house Kleinwort Benson, puts it: "There must now not only be a high degree of nervousness but also a focusing of minds whether a go-it-alone strategy is in fact correct."

Rolls-Royce: engine of growth?



Airbus A330	GE CF6-80E1	Pratt & Whitney PW 4000	Rolls-Royce Trent 700
Air Inter	15		
Cathay Pacific			10
Euralair		2	
Garuda			9
ILFC	4	3	*5
LTU		5	
Lufttrafik		1	
Malaysia		10	
Northwest		16	
Thai International		8	
TWA			20
Total	19	45	*44

Boeing 777	GE GE90	Pratt & Whitney PW 4084	Rolls-Royce Trent 800
All Nippon		15	
British Airways	15		
Cathay Pacific			11
China Southern	6		
Continental	5		
Emirates			7
Euralair	2		
ILFC	6		
Lauda	4		
Thai International			8
United		34	
Total	38	49	26

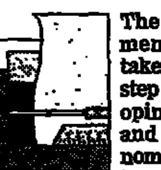
*Where an engine decision has been taken

Five-year record (£m)	1988	1989	1990	1991	1992	1st half 1993
Turnover	1,973	2,962	3,670	3,515	3,562	1,752
Pretax profits (loss)	168	232	176	51	(184)	31

Rolls-Royce: R&D trends (£m)	1987	1988	1989	1990	1991	1992
Gross expenditure	328	304	343	480	498	482
Externally funded	141	165	182	243	282	253
Net R&D	187	149	161	237	216	229

Source: Kleinwort Benson

Step in the right direction of renewal



PERSONAL VIEW

The UK government has just taken an important step towards developing sound local and regional economic development in England. Its announcement yesterday of a single regeneration budget, to be administered by integrated government regional offices, introduces measures that will reinforce the trend of innovative local initiatives in a number of British cities. It also heralds the movement towards strategic development in London.

It is legitimate to express concerns about this introduction of increased local competition for limited funds while there is a continuing need to deal with the persistent problems of deprivation. There may also be difficulties involved in using administrative reorganisation to achieve intra-governmental co-ordination.

However, it is also important to welcome measures which increase the potential for ambitious and effective long-term local development efforts that address the substantial economic changes occurring and make more significant contributions to local and national economic renewal. Equally, it is crucial that communities make the most creative use of these opportunities, and further strengthen the framework for local development which has emerged in recent years.

The City Challenge programme launched by the government in 1991 introduced several of the features of this framework. There were concerns about the short-term, fragmented, project-based, crisis-oriented, property-led and limited nature of earlier urban policies. In response, City Challenge focused support on longer-term, more strategic, comprehensive and integrated area development programmes. These were designed by local partnerships and administered by dedicated local organisations involving public, private and community sector participation.

The programme has stimulated substantial development planning and activity in successful and unsuccessful bidding communities alike. And it has continued to generate innovative approaches to urban development.

The principles and experience of City Challenge are highly relevant to the future development of regeneration policy. At the same time, the new regeneration programme provides the opportunity to advance much further. It enables critical city-wide regeneration issues and the international competitiveness of cities and regions to be addressed.

The measures increase the potential for ambitious and effective long-term local development

Development must be a permanent feature of urban governence, addressing the city and metropolitan area as a whole and strengthening its regional, national and international roles. It must promote specific business and development opportunities, and modernise the city's underlying foundations for economic renewal. This means promoting human, physical and institutional development.

The single regeneration budget provides the opportunity for joint investment by government departments in significant customised, flexible, comprehensive longer-term urban and regional regeneration programmes developed and administered by local development partnerships. The Urban Regeneration Agency, private finance initiatives, training and enterprise councils and one-stop shops provide other tools to be mobilised to provide the property, infrastructure, labour, business development and financing requirements of regeneration.

Some recent regeneration initiatives provide examples of what might be possible under the new integrated approach; the establishment of a comprehensive urban development agency and programme for Coventry; an integrated regeneration strategy addressing industrial restructuring in east Manchester; and city centre redevelopment in Birmingham.

In London, the new programme could lend vital support to the movement to manage renewal through regeneration programmes for the capital's "strategic wedges", such as the Lea Valley.

This initiative should provide opportunities to encourage lateral thinking, innovation and flexibility in the main functional programmes of government. The single regeneration budget should serve as a "test bed" for specific improvements in the linkage of these programmes to broader regeneration objectives.

The initiative should also seek to strengthen the technology which is developing for practical and ambitious joint public/private investment in regeneration projects. Local development partnerships must work with the government to realise the potential of these new initiatives. The preparation of sound local regeneration proposals will be an important vehicle for defining and achieving this potential

Victor Hausner

The author is a director of Victor Hausner & Associates, an international development consultancy which has worked with the UK government on urban policy. Mr Hausner was the US deputy assistant secretary of commerce for economic development policy and planning under President Carter

OBSERVER

Gift of the gab

■ How far the Treasury's seven-strong panel of outside advisers has raised the tone of economic debate in the UK is open to question, but the panel members' own public profiles have certainly improved. According to the FT's fame ranking, now entering its second year, no fewer than five of the wise men, who have been sounding off for nearly 12 months, feature in the top seven.

This invidious table rates UK economists according to the numbers of times their names have been mentioned in Britain's non-tabloid newspapers in the year to November 1.

This time, arch-monetarist Tim Congdon tops the pile with 263 mentions. Joint fourth in the rankings previously, he knocks fellow wise man Gavyn Davies off his number one perch; Davies slips to third place. Patrick Minford, joint fourth last year, comes in second. But how about Andrew Sentance, who has zoomed up from 21st, with a piffling 29 mentions, to joint fourth, with 176 articles featuring his name? Note too the rise of Wynne Godley, who comes in at fifth, up from 16th.

David Currie and Andrew Britton are a trifle more taciturn. They rank 12th and 15th in this year's survey, still an improvement on their previous positions of 24th and 25th respectively. Among the economists outside the Treasury panel, honourable mentions go to Roger Bootle of Midland Bank, up one notch at sixth, and David Kern of National Westminster Bank, at seventh, after ranking 10th.

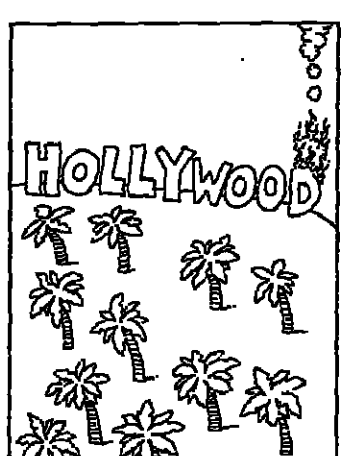
Meanwhile, Kleinwort Benson's Peter Spencer and UBS's Bill Martin – both apparently on the shortlist for the Treasury panel first time round – could try harder. While Spencer has fallen from 10th place last year to 21st in the latest rankings, Martin has plummeted from second place to an ignominious 14th.

Sack it to 'em

■ A ticklish problem for Norway's Santas.

Once the European Economic Area trade pact between the EC and Efta is implemented, how will Norway's 1,472 *Jule Nisser*, as they are called locally, wriggle out of EC regulations for Santa costumes and maintain their Norwegian identity? At present, the Norwegian version sports rather boring black trousers, white shirt, red stocking cap, and, of all things, a mask. But they are rather attached to the apparel, and, despite the chill northern winds, would hate to be seen disappearing down a chimney in the cuddly red fleece suits and black patent belts of their Anglo-American counterparts.

At their annual gathering this week, the Yuletide folk heard of a second, still chillier, prospect, namely that EC equal opportunity legislation will force them to allow women a turn with the gift sack.



On the shelf

■ It is true that a bookish egg-head is about the last thing Pentos needs in its new chief executive – but does Bill McGrath, currently in DIY and timber, have any affinity with reading material at all? McGrath himself was yesterday making sure his own literary habits remained a closed book for the time being. Enquiries elsewhere, though, did establish that for seven years from the late 1960s he had been the buying controller at G.J. Keddie & Sons, a department store in Southend, which, according to a spokeswoman for Pentos, "sells rather a lot of books". He then moved to Asda, where one of his jobs was to introduce "browser bars for books", whatever they may be. Lovers of the grand old Hatchard's premises in Piccadilly are permitted a quiet shudder.

Sic

■ A bad attack of the metaphors seems to have struck UBS' economics team in their latest assessment of the UK economy headed, incidentally: "UK Eocnomics". It concludes: "The chances are, then, for all his tough talk, that Mr Clarke will offer this November a mere teaspoon to hold back the tide. The end result this side of the millennium could well be a roller-coaster ride for the economy carrying the ultimate payload of another burst of inflation. If so it would be a fitting, if familiar, retribution for Britain's chronic fiscal incontinence."

Worth counting

■ Trust the Germans to be industriously minting money even in the teeth of a recession. The Federal Statistical Office in Wiesbaden recently announced that it has counted 106,010 wealthy souls with assets in excess of DM1m in western Germany, representing an increase of 19 per cent on a three-year comparison. Stuttgart possesses the highest density of such well-heeled citizens, followed by Munich and then Düsseldorf. How is it done?

Mostly by taking figures that relate to er, 1989. Asked the reason for this uncharacteristic tardiness, officials explain that "the statistical rhythm" has been upset by reunification, that catch-all for all evils in western Germany these days.

Daggers drawn

■ Apparent confirmation as to the state of relations between Reuters and the London Stock Exchange. For its Christmas party this year, the exchange data group at Reuters that services UK and Irish exchanges is, for reasons best known to itself, putting on a dinner at the Lansdowne Hotel with a murder mystery as its theme. To get the punters psyched up, invitations have just gone out complete with evidence bag and plastic dagger.

Imagine the panic when the missives promptly set the red lights on the exchange's postal X-ray equipment a-blinking. Officials were not entirely reassured when they ripped open the packages to discover that the enclosures, though fakes, hailed from their rival trading system provider.

FINANCIAL TIMES
Friday November 5 1993

Co-ordination is suggested by Belgium

Early policy role urged for monetary institute

By Peter Norman, Economics Editor

MR Philippe Maystadt, the Belgian finance minister, yesterday suggested that the planned European Monetary Institute could start actively co-ordinating the monetary policies of Community member states with low inflation after it starts operations in January.

At a seminar on economic and monetary union organised by the Federal Trust for Education and Research and Salomon Brothers International, Mr Maystadt floated the idea of low-inflation EC countries agreeing a common monetary growth target. The EMI could then use this to organise monetary co-ordination and monitor progress towards the achievement of durable price stability in the Community.

The minister, who is current president of the European Community council of economics and finance ministers, also suggested that the EMI might take over announcing policy decisions such as interest rate changes of member central banks agreeing to a common monetary target during the second stage of Emu which begins in January.

The EMI, which will be based in Frankfurt and is seen as a forerunner of a European central bank, has so far been given only vague guidance on the scope of its operations and Mr Maystadt's remarks yesterday represented an attempt to set an agenda for the institute.

In view of the "rather long" second stage for Emu, it was important to launch a qualitative step towards further European integration and to ensure that the EMI is not perceived as an empty shell, he said. Mr Maystadt said that national central banks would continue to make independent monetary policy decisions. But he admitted his idea of an EC monetary target would push the bankers and the EMI towards the "ultimate goal of conducting a single monetary policy at Community level".

Not surprisingly, his approach gained no UK support. Mr Christopher Taylor, the Bank of England's chief European adviser, said the EMI's role should be advisory and consultative.

Mr Maystadt warned the EC against trying to operate the European exchange rate mechanism with widened 15 per cent fluctuation margins until full monetary union. The approach of Emu could trigger competitive currency depreciation and threaten the EC single market, he said.

Gloom as Japanese stock market falls 2.2%

By Emiko Terazono in Tokyo

GLOOM over the Japanese economy deepened yesterday as the Tokyo stock market plunged 2.2 per cent, closing below the 19,000 level for the first time in eight months.

The fall is another blow to Japan's financial system, already staggering from the failure this week of Muramoto Construction, the biggest postwar corporate collapse.

Last week's partial listing of East Japan Railway, the semi-privatised railway group, is being blamed for the weakness. The Tokyo market has declined in six out of seven trading days since the flotation, losing 1,300 points, or 6.7 per cent.

Officials and brokers had hoped JR East would restore confidence among investors. Instead, investors were discouraged by the halt in trading of JR East shares last week, as massive selling orders for the stock jammed the computer system at the Tokyo stock exchange.

Since hitting Y600,000 at its initial trading price, JR East has fallen 18 per cent. The declines have dragged down the Nikkei, which retreated 431.45 to 18,949.79 yesterday.

Brokers also blamed the market's fall on the absence of stock purchases by public pension funds, which have actively supported share prices since last March, only to disappear after the listing of JR East.

Meanwhile, the economic backdrop remains grim. Leading blue chip companies have started to announce large-scale staff cuts.

The recent spate of corporate interim results have indicated further deterioration in profits, as many companies have revised down earnings estimates for the year to March. "This loss of confidence among business managers is really frightening," said a fund manager at Nippon Life, the leading life assurer.

However, with ministry of finance officials wishing to offload other state-owned companies, including Japan Tobacco and the remaining regional railway companies, the stock market may see another round of public pension fund support.

Japanese employees face bonus cuts Page 5
See World Stock Markets, Section II

THE LEX COLUMN

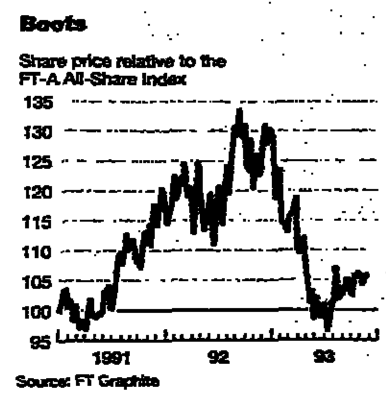
The view from inside

The luminaries on the stock exchange's working party on disclosure must enjoy their peace and quiet on Sundays. Their objection to leaking market sensitive information to weekend newspapers stands out in yesterday's woolly consultative paper. Look again, though, and other useful nuggets appear. Profit warnings should not be buried in otherwise anodyne statements. If sensitive information is inadvertently leaked, immediate steps must be taken to issue a full statement – take note, Shanks & McEwan. The close season is no excuse for witholding a statement if new developments warrant.

That is all good stuff, but more work is needed to resolve the broader issue of ensuring that companies continue to communicate with the market while treating all investors fairly. The document leaves companies enormous leeway in deciding what constitutes price sensitive information. Delay is apparently permissible in announcing unexpected losses. Even unaudited quarterly trading statements are simply an option.

However much finance directors huff and puff, increased formal disclosure is an inevitable part of the answer. The more information in the public domain, the less they have to fear from talking to analysts. That applies even to innocuous sounding details which, put together, could produce a market-sensitive conclusion. When in doubt, put the information out. That is the best prescription. It is in this document, but buried like a profit warning in a six page statement about a small joint venture in Siberia.

FT-SE Index: 3149.0 (-13.3)



UK water

Rumblings from deep underground have long signalled that Mr Ian Byatt, Ofwat's director general, would get tough with the water industry. Concern over rapidly rising bills meant that action was required. The lowish rate of return of between 5 and 6 per cent which Mr Byatt suggested is part of the squeeze. His efforts to defer part of the capital programme required by EC directives should also slow the rise in bills. Mr Byatt clearly wants higher borrowing by companies to take part of the strain.

Yet the industry is waving rather than drowning. The rate of return is more like 5.5 to 6.5 per cent when it is adjusted for the fact that, unlike British Gas, water companies pay no mainstream corporation tax. The timescale for reducing returns has been extended to 10 years and the asset base on which they will be calculated will also be more generous than originally assumed.

That much flexibility will be needed since some companies will see interest cover fall and gearing rise sharply in the next few years. Excessive tightness now could make the strain on balance sheets intolerable. Further reductions in required capital expenditure and efficiency gains will help, but several companies will still need price rises significantly above the rate of inflation. Mr Byatt may be forced to accept either that he cannot hold down prices as much as he would want, or that water charges will vary substantially across the country.

BP

Yesterday's figures from BP saw the prospect of a rights issue finally disappear below the horizon. The company's disposal programme is ahead of schedule and debt is now down to $13.1bn. Even more encouragingly, the company saw a net cash inflow before counting disposals for the first time since 1991. Much of the benefit of retrenchment also seems to be sticking to the company, at least for now. Cash inflow from operations in the first nine months was £3.4bn against £3.5bn for the whole of 1992.

Next year, net cash will flow regularly from operations. That will show that the company is back on to a sustainable path, and bring closer the time for a debate on the dividend. An increase will be an important psychological signal to the market, yet it makes little sense to drain substantial cash from the company when it can usefully be spent on longer term development. Balancing the needs of the business and shareholders will be a ticklish decision for the board next spring. Given the progress made on sorting out problems, and the way in which BP has set its face against further equity funding, the company is entitled to retain much of the fruit of its labour.

Boots

Boots has struggled before to spend its surplus cash wisely. It may soon confront that challenge again thanks to its ever-dependable chemists chain. Having paid its interim dividend early, Boots was able to use £67m of its £201m cash flow to reduce debt. By the year-end, Boots should have made a big dent in its remaining £137m of net borrowings, if not eliminated them entirely. Cash would then start accumulating rapidly, especially now the pharmaceuticals division's needs have subsided following the failure of Manoplax.

There may be several short term demands on the money. The costs of closing some Do It All stores will consume a fair dollop. The modest expansion of the chemists chain and the acquisition of more OTC medicines and retail properties would represent a more worthwhile use of funds. Even so, Boots is likely to generate cash at a far faster rate than it can spend it. A Reuters-style share re-purchase scheme may represent the most sensible means of addressing the issue. Rather that, after the Ward White deal, than making charitable donations to other company's investors.

BT

BT's share price fall yesterday afternoon suggests US investors took fright at Mr Iain Vallance's carefully-worded caution on the dividend. They probably need not worry much. BT cannot allow dividend expectations to get out of hand, and an 8.1 per cent increase looks generous with inflation below 2 per cent. But its strictures also serve to impress upon Oftel that the new price controls are biting.

The underlying reality is that BT faces little cash constraint. Gearing is only 14 per cent even after large payments to its pension fund and on MCI. Perhaps BT also wants to silence calls for a large hand-out to shareholders. The looser the dividend discipline, though, the greater the temptation to fritter away its surplus unwisely.

EU poses question of definition

Continued from Page 1

of Bavaria and the most powerful political figure in the Christian Social Union, the sister party of the CDU.

Mr Stoiber had declared on Monday that the concept of European federalism was dead. It was no longer party policy, in the CSU or the CDU, he said. He wanted something much more like a confederation, with clear powers for nation states.

The Bavarian premier is clearly something of a Euro-sceptic, with views similar to those of Mr John Major, the British prime minister. Yet he is articulating a growing suspicion in Germany about the powers of Brussels.

Mr Hintze wants to disagree, but also, just a little, to agree.

"Mr Stoiber's views are personal views, not necessarily those of his party," he declared. "The process of European integration is politically irreversible.

Mr Hintze's prevarication stops well short of the ringing condemnation of Mr Stoiber voiced by the German foreign office. There Mr Klaus Kinkel, leader of the Free Democratic party, the other coalition partner, rules.

It would be mistaken, dangerous, and a strategic error to allow "regional considerations" to dilute Germany's commitment to European union, said Mrs Ursula Seiler-Albring, Mr Kinkel's junior minister.

"The federal government will not allow itself to be led astray in its European policy by tactical, party-political and populist considerations," she said.

Campaigning for next June's European parliamentary elections has clearly just begun.

Work-share proposal opens up divisions in French parties

By David Buchan in Paris

THE French Senate is to vote today on an experimental state aid plan for companies that reduce regular working hours in order to take on more employees.

The controversial plan gained surprise support this week from Mr Michel Giraud, the labour minister, despite the divisions it has caused in the government and in parliament. If the plan is approved it will return to the National Assembly, which last month rejected a similar amendment calling for a conditional reduction from 39 to 32 hours in the legal working week.

The idea of spreading available work among more people was first canvassed by a number of Socialist leaders in parliamentary elections last March. But their party was heavily defeated, and the concept only started to gain ground within the ruling conservative majority this autumn, as unemployment continued to rise. The jobless rate was 11.8 per cent in September, and may rise to 12 per cent by year's end, according to Insee, the official statistics agency.

Mr Giraud's offer this week to exempt companies from some of the social welfare charges levied on their payrolls for three years is conditional on managers cutting their working week by at least 15 per cent and raising workforce numbers by at least 10 per cent. Employees would have to take a corresponding pay cut.

The work-share plan cuts across party lines. It is opposed by economic liberals such as Mr Alain Madelin, minister responsible for small business and Mr Valéry Giscard d'Estaing, leader of the UDF party in the government coalition, who argue it is just a way of "sharing unemployment" as well as leftwing Socialists and Communists who want the legal work week cut from its maximum of 39 hours to 35, without any compensating pay cut.

But it is backed by Mr Michel Rocard, the Socialist leader, President François Mitterrand, and growing numbers in the RPR Gaullist party of prime minister Edouard Balladur. However, the Air France protests partly over bonus cuts shows that many workers refuse to accept a pay cut when it is a question of maintaining jobs, let alone creating them.

Kurd separatists blamed for attacks

Continued from Page 1

to "finish off Kurdish resistance by spring 1996". Germany, which has a large Kurdish population, was singled out for the most concerted attacks, with authorities in 38 cities reporting incidents of varying severity.

One attack on a restaurant in Wiesbaden killed one diner and injured eight more. In another, 20 armed men ransacked the European headquarters of the Turkish newspaper, Hurriyet, in Frankfurt, hitting a guard with sledgehammers and beating a journalist.

In Oslo, a small group of Kurds demonstrated peacefully outside the Turkish embassy.

Five people were taken to hospital after the four fire-bomb attacks in London. Up to 1,000 people were evacuated in an attack on a Turkish bank in the City of London.

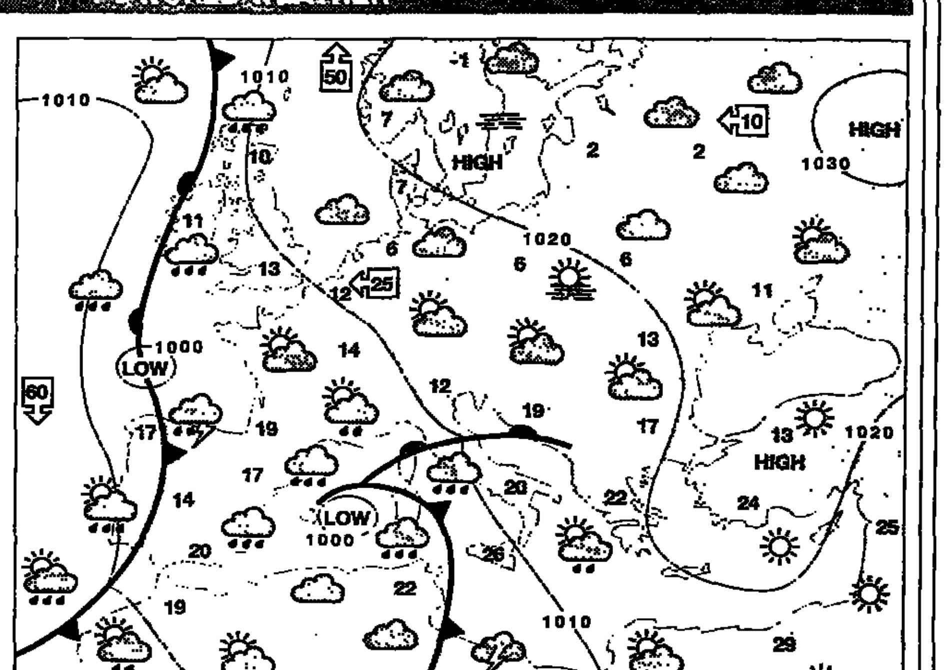
FT WORLD WEATHER

Europe today

Vigorous low pressure over the western Mediterranean will result in heavy rain. Some of the heaviest showers will fall in Italy where occasional thunder is expected. Southern France, the east coast of Spain and the north African coast will experience showers as well. A wide high pressure area over eastern Europe will extend towards Scandinavia bringing tranquil but cloudy conditions. Temperatures will be near freezing both during the day and night. Cool and moist air over central Europe will cause cloudy conditions. Fog patches forming at night will be slow to disperse. A lingering front will result in rain in Ireland and Scotland.

Five-day forecast

Winds from the east will strengthen resulting in clouds over most of the UK with some patchy drizzle at the east coast and eastern hills. Scattered rain will fall over Ireland and Scotland. A disturbance moving east over the western and central Mediterranean will result in unsettled conditions. Cooler air will be drawn into Spain and Italy, although southern Italy will experience temperatures around 20C prior to this. The Baltic states and the Low Countries will be influenced by cool, strong north-easterly breezes.



Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands

TODAY'S TEMPERATURES

		Maximum Celsius
Abu Dhabi	sun	33
Accra	thund	31
Algiers	cloudy	18
Amsterdam	cloudy	10
Athens	shower	23
B. Aires	fair	27
B.ham	cloudy	12
Bangkok	cloudy	32
Barcelona	rain	18
Beijing	fair	16
Belfast	rain	11
Belgrade	fair	16
Berlin	cloudy	7
Bermuda	cloudy	27
Bogota	cloudy	19
Bombay	sun	33
Brussels	fair	17
Budapest	cloudy	12
C.hagen	cloudy	7
Cairo	sun	28
Cape Town	sun	21
Caracas	cloudy	28
Cardiff	fog	12
Chicago	windy	7
Cologne	fair	15
D' Salaam	shower	30
Dakar	sun	28
Dallas	cloudy	13
Delhi	sun	33
Dubai	sun	34
Dublin	rain	12
Dubrovnik	shower	20
Edinburgh	cloudy	11
Faro	fair	19
Frankfurt	fair	12
Geneva	cloudy	13
Gibraltar	shower	19
Glasgow	fair	11
Hamburg	cloudy	6
Helsinki	cloudy	-1
Hong Kong	cloudy	26
Honolulu	cloudy	30
Istanbul	shower	19
Jersey	cloudy	12
Karachi	sun	33
Kuwait	fair	28
L. Angeles	sun	23
Las Palmas	shower	25
Lima	cloudy	21
Lisbon	shower	15
London	cloudy	15
Lux.bourg	cloudy	13
Lyon	cloudy	17
Madeira	shower	20
Madrid	cloudy	14
Majorca	shower	19
Malta	thund	26
Manchester	hazy	11
Manila	cloudy	32
Melbourne	cloudy	14
Mexico City	hazy	21
Miami	fair	29
Milan	rain	13
Montreal	shower	7
Moscow	cloudy	2
Munich	cloudy	9
Nairobi	thund	26
Naples	shower	22
Nassau	fair	29
New York	shower	16
Nice	rain	17
Nicosia	sun	23
Oslo	cloudy	2
Paris	fair	18
Perth	fair	32
Prague	cloudy	9
Rangoon	cloudy	31
Reykjavik	hail	6
Rio	fair	25
Riyadh	sun	35
Rome	shower	22
S. Frsco	sun	22
Seoul	cloudy	16
Singapore	shower	30
Stockholm	fog	2
Strasbourg	cloudy	9
Sydney	cloudy	20
Tangier	shower	18
Tel Aviv	sun	26
Tokyo	fair	20
Toronto	rain	11
Tunis	shower	23
Vancouver	fair	9
Venice	shower	14
Vienna	fair	11
Warsaw	cloudy	6
Washington	shower	17
Wellington	fair	18
Winnipeg	fair	-8
Zurich	shower	12

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INSIDE

Indian telecoms to make $500m issue

Videsh Sanchar Nigam, the Indian state-controlled international telecommunications network, is planning a $500m international equity issue – the biggest-ever share offer by an Indian company and the first from the public sector. Page 24

Volvo shareholders warn of flaw

Aktiespararna, the Swedish small shareholders association, has urged Volvo to abandon a planned merger of its car and truck operations with Renault, saying the agreement was too seriously flawed for renegotiation. Page 20

Bumper time for Asian markets

South-east Asian equities have had a bumper year. Prices have soared throughout the region and trading volumes have also swollen. Except in the Philippines, the region's economies have shrugged off recessions and are typically growing by 8 per cent a year. Page 22

Mr John Trott invests big bucks in international equities for the rich and famous, most of them American. He recommends to its clients that 40 per cent of their equity investment funds go into international markets. Back Page

Mitsubishi Motors slips

Sales and pre-tax profits at Mitsubishi Motors slipped in the first-half amid a depressed domestic market and pressures from a rising yen. Page 22

Increasing Chinese whispers

Hongkong Telecommunications, the colony's monopoly telephone utility which is 57.5 per cent owned by Cable and Wireless, has posted a 15 per cent increase in interim net profit to HK$3.65bn (US$472m) after continuing strong growth in calls to China. Page 23

Hopes of recovery in the air

US airlines are again making profits, not very big, but the turnround follows a three-year period in they together produced losses totalling more than $10bn. Page 23

Food retailer 'squeezed'

Wm Low, the Dundee-based food retailer facing growing competition from both discount chains and superstores, yesterday reported a modest 2.4 per cent increase in full-year pre-tax profits. Mr Philip Spicer, chief executive, said that in spite of tough trading conditions the group had been "squeezed not squashed". Page 25

Gartmore valued at £339m

Banque Indosuez, the French bank, is to raise £75.7m ($112m) through the sale of 25 per cent of its UK fund management company, Gartmore. The sale, at 168p per share, values Gartmore, the UK's fourth largest pension fund management company, at £338.6m. Page 27

WPP to sell US agency stake

WPP, the marketing services group, is to sell its 80 per cent stake in Scali, McCabe, Sloves, the New York advertising agency group for $55.5m. Page 28

Lead-zinc producers at risk

Pressure is building for the European Commission to "safeguard" the Community's lead-zinc producers, who claim to be at risk from increased imports from the former eastern bloc. Page 30

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Chief price changes yesterday

FRANKFURT (DM)				PARIS (FFr)			
Rises				**Falls**			
Asko	985	+	17	Canal	1295	–	47
Falls				Docks de France	848	–	28
Degussa	422.5	–	11.5	Elf Sanofi	950	–	24
Goldschmidt TH	645	–	30	Gaumont (Soc N)	765	–	35
Lahmeyer	816	–	19	Havas	471	–	14
Porsche	830	–	33	UAP	637	–	19
Preussag	437	–	12.5	**TOKYO (Yen)**			
NEW YORK ($)				**Rises**			
Rises				Kyoei Tanker	450	+	31
Aluminium Co	67⅝	+	¾	**Falls**			
Citicorp	35½	+	½	Keisei El Rail	892	–	62
Falls				Toagosei Chem	489	–	36
Chemical Bank	39	–	⅝	ASK	622	–	88
Gap Stores	35⅛	–	⅞	Sea-Com	108	–	19
Intel	59⅞	–	1	S'tomo Sp Metal	1850	–	400
Limited	20⅝	–	⅝				

New York prices at 12.30pm.

LONDON (Pence)							
Rises				FNFC	75	–	11
Balgonie	180	+	10	Hambro Ins Sas	118	–	47
CALA	120	+	6	Hambros	378	–	17
Dart	134	+	7	Manchester Utd	545	–	42
Domnaro Elec	388	+	23	Medeva	119½	–	5½
Electronic Data	685	+	57	Shoprite	157	–	14
Euromoney Publ	1306	+	123	Thorpe (FW)	140	–	6
Forward Group	214	+	8	Transfer Tech	83	–	17
Kitty Little	38	+	3	Virtuality	258	–	18
Oceans Cons	170	+	9	Wickes	109	–	4
Falls							

Dutch chemicals group interested in Swedish company's industrial coatings unit

Akzo and Nobel hold merger talks

By Ronald van de Krol in Amsterdam and Christopher Brown-Humes in Stockholm

AKZO, the Dutch chemicals group, is holding merger talks with Nobel Industries of Sweden. It plans to give details of their progress on Monday in Amsterdam.

The Dutch company, which is by far the larger of the two chemicals companies, said that the talks "may or may not lead to the announcement of a merger".

Analysts said it was not yet clear whether Akzo was interested in acquiring parts or all of Nobel, a speciality chemicals producer which also has high-technology and medical activities.

They said Akzo would probably be most keen to acquire Nobel's paints/adhesives and industrial coatings divisions, which last year accounted for nearly one-third of Nobel's group sales of SKr21.5bn ($2.7bn). It may be less interested in Nobel's high-technology division, Spectra-Physics.

Akzo, which has annual sales of Fl16.8bn ($8.9bn), is active in chemicals, coatings, fibres and pharmaceuticals.

The companies were forced to disclose the talks after Swedish media reported that Akzo may be seeking to acquire certain Nobel businesses. Akzo's shares rose strongly on the news to close at a record Fl199.50, ex its Fl1.50 interim dividend. Yesterday's gains come on top of a Fl13.30 surge on Wednesday following Akzo's release of better-than-expected third-quarter figures.

Nobel's shares were suspended in Stockholm at SKr22 each on Tuesday, when the group's market capitalisation amounted to SKr10.4bn.

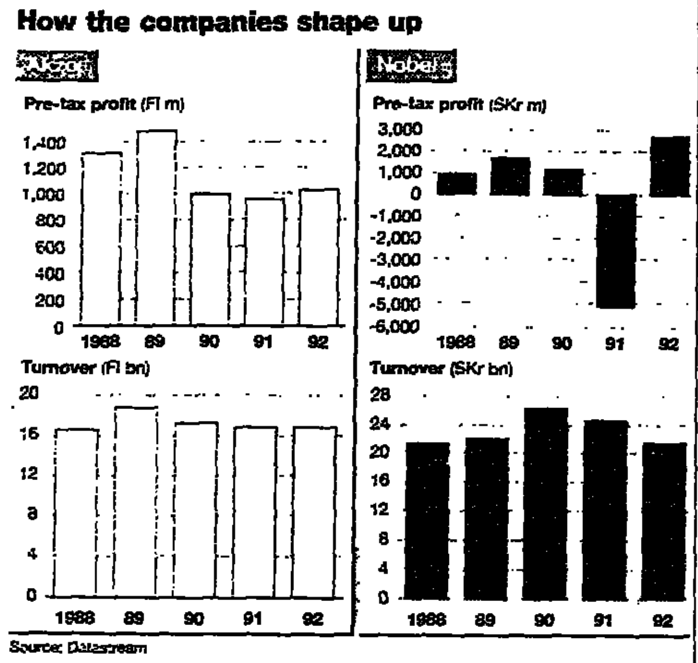
Nobel is 61.4 per cent owned by Securum, a special unit set up to house the bad debts of Nordbanken.

Nobel had to be rescued by the bank after being threatened with bankruptcy in 1991 following the collapse of Gamlestaden, a finance company in which it had a 48 per cent stake.

The group has been restructured culminating in the sale of its defence electronics interests to Celsius Industries for SKr1.55bn earlier this year.

Of Akzo's four main businesses, the fibres sector is the only one operating at a loss. In recent years Akzo has pruned its fibre activities and focused on bolstering its fast-growing pharmaceuticals business.

How the companies shape up



Source: Datastream

Christiania delays details of share offer

By Karen Fossli in Oslo

CHRISTIANIA BANK, Norway's second biggest bank, has failed to reach agreement with the government, its main shareholder, on the terms for a public offering of new shares.

The terms of the issue were expected yesterday when the bank published its nine-month result. Christiania reported net profits of NKr566m ($77m), against losses of NKr785m last year, helped by low interest rates and gains on securities and foreign exchange. Net interest income rose to NKr2.36bn from NKr2.29bn as non-interest income – gains on securities, foreign exchange and fees – increased sharply to NKr1.76bn from NKr997m. Operating profit, before loan losses and write-downs, advanced to NKr1.99bn from NKr1.16bn. Write-offs rose by NKr82m to NKr124m as losses on loans and guarantees fell NKr624m to NKr1.24bn.

Analysts and government officials say the bank will seek to raise up to NKr2bn, but Christiania refuses to be drawn on details of the offering until the plans are finalised.

The launch of the offering is being held back until bank officials can agree with the state on pricing of the new shares. "What we have is a difference of perspectives concerning the pricing of the new shares. The bank would like to be in a position to give a decent return on capital invested while the owner would like to make sure they don't give the bank away," a Christiania official said yesterday.

The state owns all but 9.2 per cent which is in the hands of 6,500 private shareholders. It took control in October 1991 after Christiania was declared technically insolvent and made cash injections.

The privately-owned shares are traded outside the Oslo bourse at about NKr17 a share. Analysts say the pricing of the new shares could range anywhere from NKr6 to NKr16 each. They forecast the bank will make an initial issue and seek a listing in an attempt to improve its market valuation before a second tranche is launched. Christiania said it would be natural to expand its foreign ownership quota to the legal limit of 33.3 per cent from 23.6 per cent.

Mr Borger Lenth, president, said the bank will release details of the offering as soon as outstanding issues relating to terms and pricing are agreed.

BT reflects slight upturn in UK economy

By Alan Cane in London

FIRST-HALF results at British Telecommunications reflected a modest recovery in the UK economy, with improvements in profits, call volumes and demand for Yellow Pages advertising.

The shares slipped 7p to 469½p, however, on warnings that the present rate of dividend growth was unlikely to be maintained.

Mr Iain Vallance, BT chairman, announced an interim payment of 6.65p, up 5.1 per cent. But "future dividend policy will need, more than ever, to take account of continuing low inflation, harsher regulation, tougher competition and emerging long-term needs and opportunities".

The City interpreted his remarks to mean that current market expectations of secure dividend growth of 8.5 per cent or so with a dividend cover of about 1.7 times, were unrealistic.

Under the terms of its licence, BT must keep increases in its main prices to the rate of inflation minus 7¼ per cent. BT has been making clear the difficulty of meeting a formula set when inflation was significantly higher than now. Last week it announced the first £125m ($186.75m) of £500m of price cuts to stay within the limit.

Pre-tax profits in the six months to September 30 grew by almost 50 per cent to £1.5bn from £1.02bn. After adjustments for redundancy charges and losses on disposals, however, the true increase was only 2.5 per cent. In the first six months of 1992, the company took redundancy charges of £442m and disposal losses of £135m, compared with £150m and a profit of £2m respectively this time.

Turnover was up 3.5 per cent to £6.76bn. Earnings per share came out 45 per cent ahead at 15.6p – but leaving aside charges and disposals the increase was only 0.3 per cent.

Inland call volume grew 1.4 per cent in the half year and 3.5 per cent in the second quarter, compared with a decline of about 1 per cent a year ago. The increase in call volume more than compensated for volume discounts introduced through the year, BT said. On a 12-month moving average, there was a 3 per cent increase in inland call turnover and a 7 per cent increase in international call turnover. During the first half 4,400 people left the company. Some 30,000 are expected to leave within two years.

Mr Vallance said the company was in continuous talks with a broad range of prospective partners in new businesses including multimedia and entertainment.

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Trevor Humphries

Iain Vallance: in talks on multimedia and entertainment

Sandner seizes initiative in Globex wrangle

By Laurie Morse in Chicago and Tracy Corrigan in London

MR JACK Sandner, chairman of the Chicago Mercantile Exchange, yesterday tried to gain the initiative in the struggle for control of Globex, the troubled electronic futures system.

He suggested that Globex be governed by a "consortium" of exchanges, each with an equal voice in the system's affairs.

Under his proposal, the CME and the Chicago Board of Trade – the world's largest futures exchanges – would give up their management of the system, which was developed jointly with the UK-based news and information group Reuters. But he rejected the idea that Reuters should run Globex as a utility.

If agreement is not reached before April, Reuters is widely expected to strip control from the Chicago exchanges when their contract comes up for renewal.

The plan addresses issues that have kept Liffe, London's futures exchange, from participating in Globex, and threaten to drive the Matif, the French futures exchange, off the system.

Disputes between the three Globex partners have hampered the system's international expansion, leading to losses for Reuters, Globex's largest investor.

The CME's face-saving proposal was given a non-committal welcome by the other players, who said they had not discussed details with Mr Sandner.

Any change would have to be palatable to Liffe, whose volume is sorely needed to revive the system, and to the Matif, which currently generates 85 per cent of Globex's volume.

"It sounds very interesting, but we need to study the detail," said Mr Daniel Hodson, Liffe's chief executive. Reuters said that it would study all proposals.

It is not surprising that the CME is attempting to broker an end to Globex disputes. Unlike the world's other major futures exchanges, the CME depends solely on Globex for after-hours trading, and would be at a competitive disadvantage without it.

The 20-point CME plan provides a means for dispute arbitration; forbids Reuters from negotiating with exchanges not party to the consortium; and shortens exchanges' commitments to Globex to three years. It sets technical performance standards for Reuters and removes a requirement that the exchanges pay several million dollars per year to Reuters if they fail to sell their quota of Globex terminals.

BP beats weak economies and oil prices to lift profits

By Robert Corzine in London

BP nearly doubled replacement cost profits to £332m ($500m) in the third quarter, shrugging off weak oil prices and sluggish economic conditions.

Excluding exceptional items, the rise was 51 per cent. Reduced losses on disposal of businesses in the third quarter of 1993, compared with the previous year, and increased tax credits were responsible for the bulk of the difference. For the first time since 1991 the company saw a cash inflow from operations excluding disposals. Cash inflow was £733m while disposal proceeds were £522m.

Better-than-expected progress was made in reducing debt, which fell by $1bn during the quarter to $13.1bn – gearing of 86 per cent compared with 102 per cent a year ago.

The reduction in debt was helped by an accelerated programme of disposals of non-core assets. These totalled $2.4bn in the first nine months, well ahead of a full-year target of $1.5bn-$2bn. Mr Simon said disposals for 1994 would "probably be about $1bn".

Earnings per share for the quarter were 6.2p, while the third quarterly dividend was unchanged at 2.1p. The shares rose 10p to 357p.

BP's operating profit for the first nine months of the year was £1.89bn, 44 per cent up on the same period last year despite a $3.40-a-barrel fall in the oil price.

Mr David Simon, chief executive, said BP's strong performance reflected cost savings, improved oil marketing margins and a stronger dollar. The company also received a £50m after-tax benefit from changes made by the government last March to petroleum revenue tax.

The star performer for the quarter was refining and marketing. BP attributed its success to improved margins, although analysts thought BP's cost-cutting in the division may have been particularly successful.

Mr Simon said the latest results showed that BP was on track to make profits of $2bn a year by 1995.

Chemicals lost £16m in the third quarter compared with a loss of £1m in the same period last year. Mr Simon pinpointed Europe's over-capacity in ethylene as a problem and said BP might "look to its own solutions" if there was no early pan-European agreement to cut capacity.

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Manoplax hits Boots for 6%

By Neil Buckley in London

A £35m ($52.85m) CHARGE to cover the cost of withdrawing the heart drug Manoplax pushed interim profits at Boots, the UK retailing and pharmaceuticals group, down 6 per cent to £174.6m.

There was a further £14m charge in Boots Pharmaceuticals division to cover redundancy costs and the completion of clinical trials, although there were matching savings on aborted research and marketing costs. Boots also wrote off £5.1m relating to Asilone, an antacid product purchased for £12.5m, following a review of brand strategy. Sir James Blyth, chief executive, said Boots was conducting a "fundamental reappraisal" of its pharmaceuticals business following the withdrawal of Manoplax and no options were ruled out. He refused to say when this might be completed. "This is not something we are going to rush."

He was confident Boots' gross margins, which increased 0.5 points in the first half, would not be affected by the escalation in price competition between UK grocery retailers. Boots' strength, he said, was its own-label products, which accounted for about 45 per cent of sales. "That means our ability to protect our margins is greater. It gives us the opportunity to price tactically."

Group turnover increased from £1.85bn to £1.99bn in the six months to September 30, in spite of what Boots called "dull market conditions".

Exceptional items pushed Boots Pharmaceuticals' profit down to £2.1m from £58.4m last year. Sales increased 9.5 per cent to £252.8m, but when adjusted for devaluation of sterling, they fell 2.8 per cent. There was further bad news at Do It All, the DIY joint venture with WH Smith, where Boot's share of losses increased from £4.9m to £7.9m, on sales down from £113.1m to £107.4m. Elsewhere, the outlook was brighter. Boots the Chemists lifted sales 5.8 per cent to £1.3bn, and profits by 13 per cent to £132.7m, while profits at Halfords, the motor accessories chain, almost quadrupled to £5.8m from sales up 9.6 per cent to £174.1m.

The overall figures also included an exceptional gain of £9.8m on the disposal of Sephora, the French perfumes chain, and Boots print packaging business.

The interim dividend was lifted from 4.6 to 4.9p, although the exceptional charges resulted in an 8 per cent fall in earnings to 11.5p. Stripping out exceptionals, the results were broadly in line with forecasts, and Boots shares gained 6p to 511p.

Lex, Page 18

Volvo urged to abandon merger deal with Renault

By Christopher Brown-Humes in Stockholm

AKTIESPARARNA, the Swedish small shareholders association, yesterday urged Volvo to abandon a planned merger of its car and truck operations with Renault, arguing that the agreement was too seriously flawed for renegotiation.

The organisation was the first Swedish group to openly criticise the accord last month, setting in train a wave of domestic criticism which earlier this week forced Volvo to postpone a shareholders meeting called to approve the deal.

Aktiespararna members hold up to 10 per cent of Volvo's shares – not enough to sink the deal, but influential enough to increase the pressure on Volvo and Renault to clarify details of the accord.

"There are so many deficiencies in this proposal that it's not realistic to expect the two parties to be able to negotiate any major improvements," said Mr Lars-Erik Forsgardh, Aktiespararna president.

He said it made more sense for the two groups to continue with their three-year alliance and start new talks which took the main objections to the merger into account.

The criticisms centre on valuation, the timetable for Renault's privatisation and the French "golden share" which could compromise Volvo's 35 per cent ownership of the new company.

Mr Forsgardh warned that Volvo shareholders risked losing SKr9bn ($1.1bn) if the merger went ahead. "The fundamental point is that Volvo has not succeeded in showing that this deal is good for its shareholders," he stated.

Volvo has rescheduled the shareholders meeting for December 7. If it wins backing for its plans, Aktiespararna is threatening a legal challenge on the grounds that the merger contradicts the vehicle company's articles of association.

"There is a good possibility that we will do this," said Mr Forsgardh.

New Seat head to take 'tough decisions'

By Tom Burns in Madrid

VOLKSWAGEN yesterday appointed Mr Juan Llorens, a well-known Spanish auto executive, to head Seat, its troubled Spanish car producer.

He warned that he would take "tough and unpopular" decisions to return the company to profits after estimated losses this year of Pta100bn ($738m).

Mr Llorens, 56, is the chairman of the Spanish Automakers Federation. He was deputy chairman of Enasa, a state-owned truck producer that was sold to Fiat, as well as board member of Seat between 1982 and 1986, the date when VW acquired the car manufacturer from INI, Spain's state holding company.

He replaces Mr Juan Antonio Alvarez who resigned as Seat's chairman at the end of September when VW rejected his plans to slim the Spanish company's labour force by 5,000 jobs.

VW has drawn up a viability plan for its Spanish subsidiary which foresees the closure of Seat's 40-year-old plant in Barcelona's Zona Franca area and the switch of its production to a new manufacturing plant.

Seat is planning to shed 9,000 jobs.

Mr Llorens said that Seat will "continue as a separate company and not just as a factory". This pledge addressed fears in Spain that the German group would absorb Seat outright, close down its trade mark and its design centre and use the Spanish company's remaining labour force to merely assemble VW vehicles.

VW is hoping that as many as 2,000 Seat employees that are due to be made redundant will be rehired by the Spanish company's suppliers.

Unions have opposed any closure of the Zona Franca factory in Barcelona and have imposed an overtime ban in Martorell, the new production base opened this year, and at Pamplona, Seat's third plant. Half-day protest strikes against VW's viability plans took place last week and a 24-hour stoppage is planned for next week.

Tax bill fall helps Philips rebound

By Ronald van de Krol in Amsterdam

PHILIPS, the Dutch electronics company, swung into a net profit of Fl 133m ($70m) in the third quarter from a net loss of Fl 139m the previous year, helped in part by a significant drop in tax bills and financial expenditure.

The company continues to suffer from slack markets in Europe, where it generates just over half of its annual sales. A better performance in other markets such as North America helped to offset weak conditions closer to home.

Despite difficulties in Europe, third-quarter operating profit rose to Fl 560m from Fl 345m a year earlier. However, Philips also benefited from a sharp drop in financing charges to Fl 296m from Fl 475m. The decline is due to Philips' continued progress in reducing its heavy debt burden as well as to the decline in worldwide interest rates.

Losses in consumer electronics narrowed, while higher results were achieved by the components and semi-conductor division. However, professional products suffered a setback caused by reduced investments by Germany's telecommunication authority.

Group sales totalled Fl 14.13bn, up 4 per cent from the 1992 third quarter, but sales for the first nine months were steady at Fl 41.4bn. The company continues to face strong downward pressure on selling prices, particularly in lighting and consumer electronics, two businesses which account for nearly half of total sales.

Net profit for the first three quarters soared to Fl 1.45bn from Fl 102m, reflecting an extraordinary gain of Fl 1.1bn booked in the second quarter on the sale of Philips' stake in a semi-conductor joint venture to Matsushita of Japan.

Mr Dudley Eustace, finance director, said Philips had realised Fl 400m in extraordinary gains from the recent share issue by PolyGram, the group's London-based music company. The gain has been set aside to pay for divesting unprofitable businesses in Europe as part of Philips' "portfolio choice" programme.

"Under the current recessionary circumstances, it is becoming increasingly difficult to sell off businesses and get even book value in exchange," he said.

Philips stands to receive "several hundred million guilders" in January under a lease-back transaction with Rabobank, the Dutch co-operative bank.

KLM advances 20% to Fl 204m in quarter

By Ronald van de Krol

KLM, the Dutch national carrier which is closely involved in talks aimed at a four-way European airline merger, reported a 20 per cent rise in second-quarter profit. However, it cautioned that full-year 1993-94 results would be "marginally positive" at best.

Net profit in the latest quarter, which covers the period from July to September, totalled Fl 204m ($107m) compared with Fl 170m in the same period of 1992-93.

Passenger traffic climbed by a strong 18 per cent, but the trend towards cheaper fares and the shift away from business class travel left its mark, with passenger yields down 9 per cent.

"Unrelenting competition and shifting demand continue to pressure yields negatively," it said.

KLM did not comment directly on the progress of merger talks with Swissair, Scandinavia Airlines System and Austrian Airline. But it noted that the airline industry was still "marked by major uncertainties".

KLM said results in the 1993-94 second half were expected to show a clear loss, reflecting the seasonal nature of the air travel industry.

It noted that its expectations of a marginally positive result for the full year were due partly to the pension contribution holiday negotiated earlier this year with unions representing flight attendants and pilots.

Yesterday's figures took first-half net profit to Fl 246m, a rise of 18 per cent, on sales up just 1 per cent at Fl 4.5bn.

KLM is eager to join forces with its three European rivals in order to trim costs and to fight competition from bigger airlines. The carrier, which has been seeking to cut costs throughout the early 1990s, said the productivity of workers at KLM and its subsidiary KLM Cityhopper increased by 14 per cent in the quarter. The KLM group also includes a number of foreign carriers such as Northwest of the US.

Swiss Re plans 'option' rights

By Ian Rodger in Zurich

SWISS Reinsurance, the world's second largest reinsurance group after Munich Reinsurance, is raising up to SFr700m ($466m) in 1994 and 1995 through option-based rights issues.

These would be in addition to the previously announced 1-for-10 rights issue later this year to raise SFr575m.

Mr Arnold Saxer, chairman, said that the funds were needed to strengthen the group's capital base, whose growth was not keeping pace with that of premium income.

"These capital-raising plans are important. We would not undertake them if we did not have confidence in the future," Mr Saxer said.

He forecast that 1993 net income would be at least 10 per cent higher than last year's SFr281m. Premium income was expected to rise 15 per cent. Last year, premium income was up 25.6 per cent to SFr21.9bn.

Losses from catastrophes were expected to be lower this year and income was being boosted by premium rate increases in the accident and liability areas.

The capital raising for 1994 and 1995 is by way of two sets of options that will be given to shareholders, one exerciseable until the end of 1994, the other until the end of 1995.

The options will be distributed on the basis of one option of each type per bearer or registered share held following imminent 5-for-1 splits. Every 20 options will entitle the holder to purchase one registered share from the group treasury at a price to be fixed on November 24.

This year's conventional rights issue is on the basis of one new bearer or registered share for every 10 shares (post splits) or participation certificates. The price, expected to be about SFr475 a share, will be set on November 24.

● Mövenpick, the Swiss restaurant and hotels group, said its sales in the first nine months rose 3.7 per cent and it anticipated a 30 per cent rise in 1993 net income over last year's depressed SFr6.5m.

Norgeskreditt profits up sharply

By Karen Fossli in Oslo

NORGESKREDITT, the Norwegian private sector mortgage bank, yesterday announced a sharp rise in nine months pre-tax profit to NKr219.5m ($29.9m) from NKr68m, helped by an increase in net interest income and securities gains.

Group nine-month net interest income rose by NKr52.3m to NKr229.6m as last year's NKr7.8m in securities losses were transformed into gains of NKr71m this year.

At the net level, profits more than doubled to NKr158.3m from NKr70.6m. Operating costs rose to NKr48.7m from NKr41.1m as losses on loans and guarantees fell to NKr41.6m from NKr47m. Norgeskreditt said the aggregate principal amount of loans in default for more than 90 days rose to NKr175.5m from NKr156.7m.

"These loans are not in default with regard to the payment of the agreed interest," Norgeskreditt explained.

Mr Trond Wennberg, president, forecast the bank would achieve growth of 5 to 10 per cent in loan volume by the mid-1990s. Demand for loans has been higher this year.

Ahold gains NYSE go-ahead on ADR move

AHOLD, the Dutch food retailer, has received permission from the New York Stock Exchange to move its existing American depositary receipts on to the exchange starting on November 15, writes Ronald van de Krol.

Yesterday, an extraordinary Ahold shareholders meeting approved a 2-for-1 share split, designed to bring the company's share price into line with that of other food retailers quoted on US stock exchanges. The split, which halves the nominal value of Ahold's shares to Fl 1.25 ($0.65), also takes effect on November 15.

The supermarket group, said Wagner, Stott & Co had been assigned by NYSE to maintain a market in the ADRs.

London SE issues leaks guidance

By Norma Cohen, Investments Correspondent

THE London Stock Exchange yesterday issued proposed guidance intended to curb the selective leaking of price-sensitive information to market participants which can give rise to insider dealing.

However, the guidance stops well short of either defining price-sensitive information or requiring quarterly financial reporting, two measures sought by investor groups.

Requirements for unaudited quarterly reporting were also supported by many members of the Exchange's own Large Companies Advisory Committee, particularly those whose shares are traded on US exchanges and have coped easily with quarterly reporting requirements there.

The guidance is the result of efforts begun in late summer, in conjunction with the 100 Group of Finance Directors and shareholder and industry analyst associations. The move followed the exchange's first-ever censure of a traded company, LIG, for telling a group of analysts about its financial condition and concerns about the nature of insider dealing rules contained in the new criminal justice bill.

Shareholders have urged more frequent public reporting, saying the longer price-sensitive information is kept inside the company the greater the opportunity for individuals to profit from public ignorance.

Lex, Page 18

Nomura gains Buenos Aires role

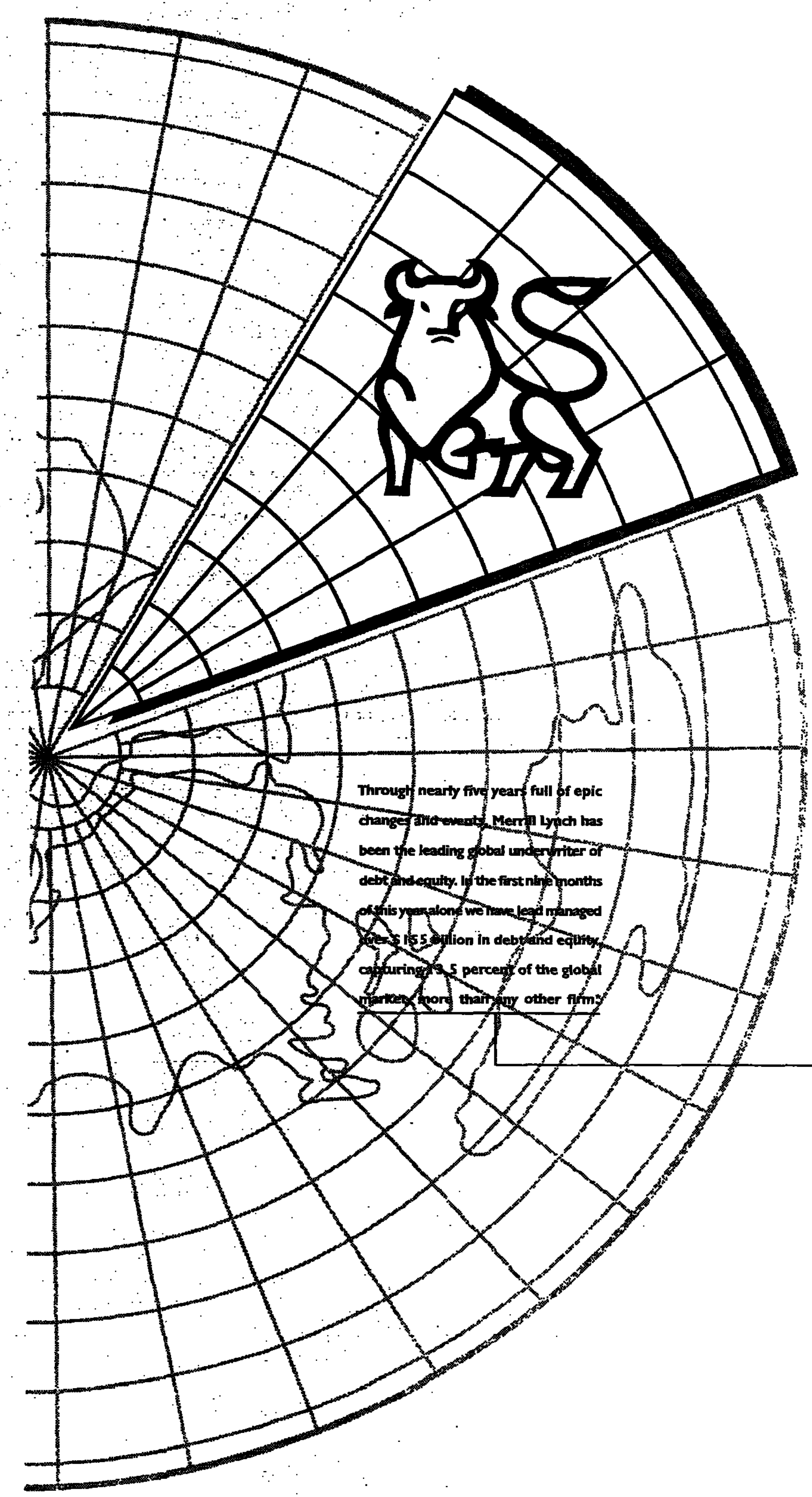
NOMURA International has been appointed financial adviser on a $160m project to finance, improve and operate toll highways linking Buenos Aires and its suburbs to the international airport at Ezeiza, writes Stephen Fidler.

It will advise a consortium of the Spanish engineering company, Huarte, the J.M. Aragon civil engineering group of Argentina and consulting engineers Grimaux and Associates. The consortium has been offered a 22-year concession in return for the works, which include the construction of a new road.

Having secured $30m of performance bonds, the group is now seeking $100m of project finance with local and international banks.

[illegible]

THE DIFFERENCE BETWEEN BEING ON TOP AND STAYING ON TOP.



Over the past five years, one of the few reliable axioms in the world of finance has been the inevitability of change. Economic systems once mighty, have fallen. Companies have changed to meet the challenges of a changing economy. Our world has moved through the effects of economic revelry, to recession and recovery.

Yet in this time of global change, every quarter for 19 quarters, Merrill Lynch has been the worldwide leading underwriter of debt and equity securities.

It would be tempting to say that Merrill Lynch is the leader because in the face of all this change, we have not changed. And in many ways we haven't. Our tradition of integrity hasn't varied in 100 years. We are still client driven, still team players, still responsible to our communities.

But the fact is, there are some things we *have* changed. Our clients and the economic factors that affect our clients have changed. So each passing quarter has seen us strive to move closer to our clients, advance the quality of our strategic advice, and more clearly focus our insights into the world. During this time, we have augmented our financial strength, widened our access to markets, and speeded our distribution. In five years, we have gone from becoming global to being the global leader.

As a result we have grown. In the first nine months of this year, we have lead managed over $155 billion in debt and equity worldwide,* over $32 billion more than our nearest competitor.

Companies can rise to the top. We'd like to think we stay there because our client focus keeps us there. We think that makes the difference.

The difference is Merrill Lynch.

Merrill Lynch

A tradition of trust.

Investors in south-east Asian equities count their profits

Victor Mallet examines choices shareholders face after a record year in the region's stock markets

THERE is nothing like sitting on a fat, unrealised profit to make an investor nervous, and a fat paper profit is precisely what you should have if you put your money into south-east Asian equities at the start of the year and kept it there.

The phenomenon of soaring stock prices has not been confined to Hong Kong, the biggest market in the region. Malaysia, Singapore, Thailand and the Philippines have all repeatedly reached record highs; Manila's composite index, for example, is up 75 per cent from its year's low in January. Indonesia, although not yet in record territory, has risen 70 per cent.

Trading volumes have swollen too. In Kuala Lumpur, the number of shares traded has sometimes exceeded levels in New York and Tokyo, forcing stockbrokers to sleep in their offices at night as they struggled to keep up with the paperwork; earlier this year some of them even chartered helicopters to shift scrip around Malaysia.

The Stock Exchange of Thailand is planning to extend trading hours from the current five hours a day. Singapore, extended its trading to 12-hour sessions on two days this week to cope with the start of trading in the newly-privatised Singapore Telecom.

Investors, who are understandably considering selling their south-east Asian shares to realise profits, are faced with a familiar dilemma: they cannot think of anything they would rather buy, but they fear a regional stock-market crash or at least a sharp correction in the weeks ahead.

Indeed, this week has seen reverses in many of the region's markets as investors have decided to book some of the profits following the recent strong advances.

Most of the stockbrokers analysing such risks start by looking at the reasons for this year's extraordinarily robust performance by south-east Asian equities. Some of them are obvious. Except in the Philippines, the region's economies have shrugged off recessions in the Japanese, US and European markets and are typically growing by 8 per cent a year.

Some of the causes are peculiar to particular markets. In Malaysia, stock market activity has been fuelled by political manoeuvring and the distribution of financial favours ahead of this month's elections for posts in the United Malays National Organisation (Umno, the dominant party in the government). In Singapore, the government has launched a campaign to promote share ownership and freed an extra S$20bn for investment in equities by relaxing controls on the use of money from the Central Provident Fund, the social security system to which citizens are obliged to contribute.

Such special factors, however, are only part of the story. Stock market analysts agree that south-east Asian markets, like equity markets elsewhere, are "liquidity-driven". In other words they are beneficiaries of the worldwide fall in interest rates which has tempted large sums of money out of bank deposits and into equities.

Previous rallies in south-east Asia have often been prompted by local speculators driving up the price of secondary stocks, with foreign investors tagging along behind saying: "We know this company is fundamentally unsound, but we're going to buy it anyway because we know local share-ramping will increase the value of the shares."

This time, the situation is different. Foreign investors, particularly US mutual funds increasing their exposure to the economies of south-east Asia, have led the charge, buying blue chip shares such as Bangkok Bank or Philippine Long Distance Telephone.

The new money makes a profound impact. Although the capitalisation of south-east Asian markets is growing fast – and some of them can now absorb the $1m plus buy orders demanded by big international investors – their small size means that a rush of foreign buying can have a disproportionate effect on share prices and market indices.

"The reason that it has a dramatic influence in these markets is that they are small," says Mr Nigel Wightman, chief executive of Rothschild Asset Management Asia Pacific in Hong Kong. Indonesia's market capitalisation, he points out, is about the same as Chrysler's.

Tight restrictions on foreign access to stocks in South Korea and Taiwan further accentuate the rise in the other fast-growing equity markets of Asia.

Mr Korn Chatikavanij, managing director of Jardine Fleming Thanakom Securities in Bangkok, says low world interest rates are the basic reason for the rapid rise of stock market values in south-east Asia, as elsewhere. "But we've always in this region been like a warrant to the world stock markets," he says. "We go up more and we go down more."

Mr Korn and other analysts say the principal risk of a sharp fall in the value of south-east Asian stocks will come from abroad. If world interest rates rise, foreign money may try to get out of Asian stocks as quickly as it is now trying to get in; just as demand for relatively illiquid stocks forces prices to rise exceptionally sharply, so selling pressure forces prices sharply down.

A further problem in south-east Asia, with the notable exception of Singapore, is that several markets are poorly regulated. Foreign investors are partly shielded from this by the preponderance of blue chips in their portfolios, and both Thailand and Malaysia have recently established securities commissions in an attempt to improve company disclosure and control insider dealing.

In Bangkok, however, it is still common for a company's shares to rise or fall sharply shortly before the disclosure of a good or bad item of news about the company. "The foreigners realise that they [the Thai Securities and Exchange Commission] have a difficult job to do and they are not going to do it overnight," says Mr Neil Semple, senior analyst at HG Asia in Bangkok. "Probably there's a lot of people they should throw in jail, but realistically that's not an option."

No-one would be surprised if a sharp fall in regional equity values revealed a few companies with difficulties that they were able to hide in a bull market. "At the moment, the tide is rising and all boats are rising with it," says Mr Wightman. "At some stage in the next year or two some of the dodgy stuff is going to be found out."

In spite of such fears, in spite of this year's sharp rise in regional markets, and in spite of the vulnerability of equities to interest rate rises, many stockbrokers remain bullish about south-east Asia.

Some have ignored the region, arguing that it is no longer self-evident that Asian companies – which operate, after all, in fast-growing economies – represent riskier investments than companies in Europe, the US or Japan.

Price/earnings ratios are not excessive either in comparison with the industrialised world or when compared with previous ratios in the Asian markets themselves, and price levels can be justified by strong corporate earnings growth. "I don't sense that any of these markets is yet overbought," says Mr Wightman.

In Bangkok, Mr Semple, postulating a future Stock Exchange of Thailand index level of about 1,400 (this week it has been around the 1,300 level, closing yesterday at 1,284.93) estimates a modest average Bangkok price/earnings ratio of 16 in 1995, against about 20 at present.

Any fall in Asian stock markets prompted by an outflow of foreign funds is likely to be limited by the fact that Asians are becoming increasingly wealthy and active in their own markets. Even during the recent surge of foreign buying, foreign investors in the Thai market were accounting for only about a fifth of turnover.

Nor is there much evidence that foreigners are losing interest. US fund managers are looking closely at emerging sectors across the region as governments privatise everything from airlines to petrochemical plants.

Only a rash investor, however, would rule out the possibility of a sustained sharp downward correction in equity values across the region after such a bull market. "The Americans and Japanese are buying. That could be a sign that we are at the top of the market," said the director of one stockbroking firm in Bangkok. "They are always in last." He laughed at his own joke and put the phone down.

Stockbrokers in south-east Asia are busy right now.

● See World Stock Markets

Asian stock market indices

Source: Datastream

Mitsubishi expansion ends as earnings fall

By Michiyo Nakamoto in Tokyo

SEVEN years of sales expansion at Mitsubishi Motors ended when the Japanese carmaker saw first-half sales and pre-tax profits slip against a depressed domestic market and pressures from a rising yen.

In the first six months, Mitsubishi's sales declined 1.6 per cent to Y1,217bn ($11.33bn) from Y1,237bn, with every product category except mini vehicles suffering a downturn in volume.

Operating profits suffered a sharper fall of 18.8 per cent to Y19.2bn (Y23.6bn) which mirrored both the fall in sales and the impact of the yen's sharp appreciation against other major currencies.

Mitsubishi made up for the fall in operating profits partly through cost-cutting efforts and price increases which helped the company to keep the drop in pre-tax profits to 6.2 per cent at Y17.2bn from Y18.3bn.

A sharp decline in the sale of trucks led to a 26 per cent fall in the number of vehicles sold.

Export sales increased slightly, while sales of car components to overseas subsidiaries in the US and the Pacific region increased by 30 per cent.

In the year to March, MMC expects sales to decline 2.5 per cent to Y2,550bn and pre-tax profits to fall 9.5 per cent to Y35bn.

"It is very difficult to expect sales to increase under the current circumstances," the company said.

As part of its cost-cutting efforts, capital expenditure will be lowered to about Y130bn compared with an initially forecast Y150bn.

INTERNATIONAL COMPANIES AND FINANCE

US utility and Cox 'close to' multi-media link

By Martin Dickson in New York

SOUTHWESTERN Bell, the regional telecommunications company, and Cox Enterprises, the privately-owned US media group, may be on the verge of forming America's latest multi-media alliance, according to a report yesterday in a Cox-owned newspaper.

The Atlanta Journal and Constitution said the two companies were expected to announce a definitive agreement near the end of this month. Under the deal, Southwestern Bell would make an investment of over $1bn in Cox's cable unit.

The report comes amid a rush by US local telephone and cable television companies to form alliances in preparation for the growth of an interactive, multi-media home entertainment industry.

The biggest alliance so far is the planned takeover of Tele-Communications by telephone group Bell Atlantic for up to $22bn.

Southwestern Bell and Cox are already partners in the UK, where Cox last spring took a 25 per cent stake in cable television and telephone operations owned by Southwestern. They have some 1.1m UK cable homes under franchise.

Cox, with US interests including 17 daily newspapers and seven television stations, runs the sixth-largest cable system in the US, with some 1.7m subscribers.

Southwestern Bell, based in San Antonio, Texas, provides telecommunications services in Texas and neighbouring states. Early this year it became the first US regional phone company to enter the cable business when it agreed to buy two systems in suburban Washington, DC, for $650m.

Analysts speculated yesterday that Cox might spin its cable systems off into a separate, and possibly public-quoted, company in which Southwestern Bell could invest. This would preserve the private nature of the rest of the group.

Southwestern Bell yesterday declined to comment on the reports. No comment was immediately available from Mr Dave Andersen, chief spokesman for Cox, who told the Atlanta Constitution that the company had talked to all seven Baby Bell regional phone companies.

Primerica fills new post

By Patrick Harverson in New York

THE US financial services group Primerica has appointed Mr James Dimon, its president and chief financial officer, to the new post of chief operating officer.

Mr Dimon, 37, a long-time confidant of Primerica chairman Mr Sandy Weill, is a key figure in the management team which masterminded the group's recent expansion.

That expansion included the acquisitions of the Wall Street brokerage house, Shearson, and the insurance company Travelers.

Mr Weill also announced the creation of an office of the chairman, which will have Mr Dimon, Mr Robert Lipp and Mr Frank Zarb, both vice-chairmen of Primerica, and Mr Robert Greenhill, chairman and chief executive of the group's Smith Barney Shearson brokerage unit.

Calls to China boost Hong Kong Telecom

By Simon Davies in Hong Kong

HONGKONG Telecommunications, the colony's monopoly telephone utility which is 57.5 per cent owned by the UK's Cable & Wireless, yesterday posted a 15 per cent rise in interim net profit to HK$3.65bn (US$472.8m) due to continuing strong growth in calls to China.

Profits were up from HK$3.17bn in the six months to September 1992, while turnover increased by 13 per cent to HK$11.95bn, with revenue from international telephone services growing by a similar proportion to HK$7.53bn.

The interim dividend is 23.4 cents a share, up from 20.3 cents in 1992.

Mr Michael Gale, Hongkong Telecom's chief executive, said he believed the rate of earnings growth could be maintained for the full year. Calls to China rose by 48 per cent in the first half of the year, accounting for 30 per cent of international phone revenues.

The company is emphasising its strategy of diversifying its income stream away from international telephony. It loses its international monopoly in 2006, while its monopoly on its domestic network will be removed in 1995.

Hongkong Telecom completed the digitalisation of its telephone network in July, and plans to capitalise on this by focusing on the development of interactive multimedia services, thereby keeping the company a step ahead of competition.

This week Hongkong Telecom said it had applied for a licence to operate a cable TV network after mid-1996. It is already investigating the potential for a video-on-demand service, which could be carried via the existing telecommunications network.

Big US airlines pull out of losses spiral

The troubled carriers are showing signs of renewed growth, writes **Richard Tomkins**

It may be the wrong time of the year for green shoots to appear, but it appears the beleaguered US airline industry is at last showing signs of renewed growth.

The grounds for optimism lie in the industry's third-quarter results. This time last year, it was hard to find a large US carrier reporting anything other than the latest in a long series of losses. However, this year's third-quarter results have shown a turnround. Suddenly, the airlines are making profits again.

Admittedly, the profits are not huge. United Airlines, the best-performing of the large carriers, produced third-quarter net income of only $149m on turnover of $3.6bn. However, the figures are notable in that they follow a three-year period in which US airlines have together produced losses totalling more than $10bn.

The airlines' troubles stem partly from too much capacity chasing too little demand. New aircraft ordered during the boom years of the late 1980s arrived at a time when passenger numbers were falling because of recession.

Company failures, which might otherwise have brought supply and demand back into kilter, were prevented by US bankruptcy laws giving companies protection from their creditors.

Even more serious, however, has been the success of small, upstart carriers like Southwest Airlines, which have eaten heavily into the big companies' domestic markets by offering no-frills services at rock-bottom prices.

The large carriers have been unable match the small companies' low operating costs and therefore to compete profitably at the same fares.

The recovery showing through in the latest quarterly results is the result of a sustained effort by the larger airlines to bring capacity into line with demand, bring costs down to competitive levels, and abandon unprofitable operations.

For example, United – the biggest US airline in terms of passenger miles flown – has accelerated the grounding of older aircraft, cut wages, and announced 2,800 job losses. American Airlines, the second biggest, has given up competing with Southwest on many short-haul routes and grounded more than 30 aircraft from its fleet. Delta, ranking third, has cut more than 6,000 jobs since June last year.

For most airlines, the cost-cutting measures are just the beginning. Virtually all the big carriers plan to increase productivity through further heavy job cuts and changes in working practices. In theory, the combination of lower costs and rising passenger numbers should bring a return to healthy profits.

Some airlines, however, are unlikely to have it so easy. Most employees of the big carriers are heavily unionised and are digging their heals in over some of the changes. American's 21,000 flight attendants are threatening an all-out strike later this month over cuts in staffing levels, changes in holiday arrangements, and other productivity-enhancing measures being introduced by the company.

United, too, is at loggerheads with employees over radical plans to set up a low-cost airline-within-an-airline to compete head-on with Southwest and its ilk.

Although employees are being offered a majority stake in United if they agree to the deal, their union representatives have baulked at some of the more far-reaching changes in working practices.

Meanwhile, the competitive pressures are intensifying. Southwest's success is spawning low-cost imitators, such as Kiwi International, Republic Air, UltrAir, MarkAir and RenoAir. And Continental Airlines, now largely non-union after emerging from its second bankruptcy, has just launched its own no-frills operation called Continental Lite.

Daily US newspapers are carrying pages of advertisements from small and large airlines, each trying to outdo the other with outlandish fare offers.

Republic Air, for example, is advertising a New York-Los Angeles fare of $99, with no requirement for advance purchase or a Saturday night stay. Continental invites readers to combine an ultra-low "Peanuts Fare" with another offer called Add-A-Penny-Add-A-Pal, under which the passenger's companion flies for 1 cent each way.

So while the third-quarter profits offer a glimmer of hope for the airlines, they fall far short of what is required to restore the industry to health. Demand remains poor, and those that buy airline tickets want the cheapest deal they can get.

In this market, it is the lowest-cost operator that makes the money – and the big carriers have yet to show they can bring their costs down to where they can not only compete, but win.

US AIRLINE RESULTS
Third Quarter

	Net income $m 1993	1992
United Airlines[1]	149	6
American Airlines[2]	118	-100
Delta Air Lines	60	-125
Northwest Airlines[3]	112	-20
USAir	-178	-106
AmericaWest Airlines	14	-71
Southwest Airlines	44	27

Notes: 1 Figures for UAL Corp. 2 Figures for AMR Corp 3 Figures for Wings Holdings
Source: Company announcements

Nynex to take charge

By Martin Dickson

NYNEX, the regional telephone company serving the north-eastern US, is taking a fourth-quarter after-tax charge of between $250m and $275m. The charge relates to the sale of its information products and services businesses.

The company said yesterday it was withdrawing from the information services business to concentrate on communications opportunities around the world.

It expected to generate some $300m in cash from the disposal programme.

As part of the divestment strategy, it also announced the sale of the information services businesses of AGS computers for an undisclosed sum to Keane, a Boston, Massachusetts, company specialising in information systems.

Earlier this year, Nynex sold the BIS group, a British-based information services company, to ACT Group. Meanwhile, this month Apertus Technologies of Minnesota said it planned to buy Systems Strategies, a Nynex company providing multi-vendor computer software.

Nynex recently agreed to invest $1.2bn in Viacom, the cable television company, as part of its bid for entertainment group Paramount Communications.

US retail gloom as profits fall

By Richard Tomkins in New York

OCTOBER sales figures reported by some of the larger US retailers yesterday were reinforced by a warning from Kmart, the discount store and specialty retailing group, that its third-quarter results would show a decline in net income.

Although Wal-Mart, the biggest US retailer, reported relatively good growth, with same-store sales 8 per cent higher than in the same month last year, figures from several other large retailers were weak.

Kmart said the first half of October had gone well, but unseasonably warm weather in the second half interrupted the improvement in clothing sales experienced since early September. Overall, same-store sales were only 1.4 per cent ahead of last year's figure.

Mr Joseph Antonini, chairman and chief executive, said: "More seasonable fall weather in early November has resulted in a dramatic pick-up in business, particularly in fashion merchandise."

However, he warned that an expected large loss at its Pace Membership Warehouse subsidiary – sold this week to the rival Wal-Mart Stores – together with the effects of a 1 per cent increase in the rate of US corporate tax, would produce a fall in net income.

Federated Department Stores, owner of Bloomingdale's and other chains, reported a 1.5 per cent decline in same-store sales, blaming sluggish economic conditions.

Woolworth, which last month announced the closure of 970 stores in North America, said total same-store sales were only 0.9 per cent up.

Better figures came from Sears, Roebuck, the Chicago-based department store group, which reported a 12.7 increase in same-store sales. There was modest growth from the J.C. Penney stores group, reporting a 3.6 per cent increase. But The Gap clothing chain saw a 2 per cent sales decline on a like-for-like basis.

INTERNATIONAL CAPITAL MARKETS

JGBs at six-year high as Nikkei falls below 19,000

By Sara Webb in London and Patrick Harverson in New York

JAPANESE government bonds climbed to a six-year high yesterday, taking their cue from the weakness of the Tokyo stock market and the generally gloomy economic background.

The December futures contract opened at 114.98 and rose to a high of 115.29 before ending Tokyo trading at 115.20.

In the cash market, the No 145 JGB's yield opened at 3.505 per cent and closed at 3.43 per cent, corresponding to the high price of the day.

GOVERNMENT BONDS

The trigger for the bond rally was the sharp decline in the Nikkei 225 average index, which dropped 451.45 to end below the psychologically important 19,000 level at 18,949.79 for the first time in eight months.

The stock market's weakness kindled hopes of a further easing in open money market interest rates. The overnight call rate is currently at 2.5 per cent, while the rate on three-month certificates of deposit slipped a further 2 basis points to 2.34 per cent yesterday. Both rates are expected to slip lower in the near future, dealers said.

"There's been a lot more concern about the state of the economy in recent weeks, and net new money which would have gone into equities has found a home in bonds instead, given the economic environment," said Mr Gerard Lyons, chief economist at DKB International.

He added that if the economy is still very weak in the second quarter of next year, it could possibly prompt another cut in the official discount rate (ODR), which is currently at 1.75 per cent.

■ HIGH-YIELDING European government bond markets took a knock as domestic political and economic worries grabbed the attention of investors.

Italian government bonds suffered a sharp fall in the wake of new corruption allegations. Although President Scalfaro made an unexpected television appearance late on Wednesday in order to deny the allegations, dealers said the market appeared nervous, wiping out the previous day's gains. The December BTP contract on Liffe settled at 115.19, against its opening level of 115.90.

Rumours circulated that the Italian Treasury may issue 30-year lira government bonds, helping to extend the maturity profile of the domestic debt market. According to a report from Reuter, the 30-year issue would be for L2,000bn and would carry the same 9 per cent coupon as the recent 10-year issues.

However, dealers pointed that in order to make the issue attractive to investors, the bonds would have to be offered at a discount, thereby providing investors with a pick-up in yield over the 10-year government issue.

■ SHORT-DATED UK government bonds outperformed the long end of the market yesterday, buoyed by hopes of a cut in the base rate, possibly around the time of the November 30 Budget.

Dealers said that shortening trades were the main theme of the day. The 7¼ per cent gilt due 1998 rose ¼ to trade at 104⅛ by late afternoon.

Meanwhile, long-dated issues held steady as dealers pointed out that concerns about inflation have abated slightly.

Earlier this week, Mr Eddie George, the governor of the Bank of England, called for companies to help curb inflation by generating higher profits through increased output and capacity use, rather than through higher prices.

Mr Simon Briscoe, an economist at S.G. Warburg Securities, said that "the market took some encouragement from the governor's speech". He added that this week's news of a supermarket price war is also likely to be good for gilts, as it should help to subdue inflation.

■ THE German government bond market ended little changed as the Bundesbank left its key interest rates untouched at yesterday's council meeting.

In the absence of any interesting domestic economic data, dealers said that the bund market is likely to be watching today's release of the US employment data with keen interest.

■ LONGER-DATED Treasury securities continued to slide in New York yesterday morning as investors traded cautiously ahead of today's October employment report.

By midday, the benchmark 30-year government bond was down ¼ at 101½, yielding 6.121 per cent. At the short end of the market, the two-year note was up 1/32 at 99⅞, to yield 4.090 per cent.

The morning's main economic news – a 10,000 decline in weekly jobless claims – contributed to early losses in the long end of the market, primarily because dealers' and investors' attention was focused on the October employment, which is due out today.

The jobless claims figures hinted that labour market conditions are continuing to improve, albeit gradually.

FT FIXED INTEREST INDICES

	Nov 4	Nov 3	Nov 2	Nov 1	Oct 29	Year ago	High *	Low *
Govt Secs (UK)	102.80	102.67	102.68	102.38	102.67	94.59	103.60	93.28
Fixed Interest	124.01	123.99	124.13	124.25	124.35	108.66	125.20	108.67

Basis 100: Government Securities 15/10/26; Fixed Interest 1926.
* for 1993. Government Securities high since compilation: 127.40 (9/1/35), low 49.18 (3/1/75)
Fixed Interest high since compilation: 125.20 (1/3/93), low 50.53 (3/1/75)

GILT EDGED ACTIVITY

Indices*	Nov 3	Nov 2	Nov 1	Oct 29	Oct 28
Gilt Edged Bargains	88.1	87.7	97.7	99.9	152.9
5-Day average	105.3	109.7	112.8	114.9	118.2

* SE activity indices rebased 1974

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
AUSTRALIA		9.500	08/03	120.7215	-0.327	6.59	6.50	6.69
BELGIUM		9.000	03/03	113.5000	+0.700	6.99	7.10	7.28
CANADA *		7.500	12/03	104.4000	+0.200	6.89	6.82	7.01
DENMARK		8.000	05/03	111.1000	-0.050	6.40	6.41	6.61
FRANCE	BTAN	5.750	11/98	101.2985	+0.043	5.45	5.44	5.54
	OAT	6.750	10/03	105.0300	-0.010	6.06	5.97	6.01
GERMANY		6.000	09/03	101.0150	-0.030	5.86	5.88	6.01
ITALY		10.000	08/03	105.0250	-0.885	9.42†	9.13	9.12
JAPAN	No 119	4.800	06/99	109.4037	+0.281	2.86	2.98	3.16
	No 157	4.500	06/03	107.1238	+0.383	3.51	3.67	3.78
NETHERLANDS		7.000	02/03	108.1900	-0.010	5.83	5.84	5.90
SPAIN		10.900	08/03	114.7500	-0.850	8.59	8.52	8.98
UK GILTS		7.250	03/98	104-10	+4/32	6.11	6.13	6.27
		8.000	06/03	108-08	+1/32	6.82	6.83	6.85
		9.000	10/08	118-21	+1/32	7.16	7.18	7.22
US TREASURY *		5.750	08/03	100-28	-5/32	5.63	5.43	5.33
		6.250	08/23	101-27	-15/32	6.11	5.99	6.00
ECU (French Govt)		8.000	04/03	110.5700	-0.140	6.47	6.42	6.56

London closing, *denotes New York morning session. Yields: Local market standard
† Gross annual yield (including withholding tax at 12.5 per cent payable by non-residents.)
Prices: US, UK in 32nds, others in decimal. Technical Data/ATLAS Price Sources

Indian telecoms network to make $500m offering

By Stefan Wagstyl in New Delhi

VIDESH Sanchar Nigam, the Indian state-controlled international telecommunications network, is planning a US$500m international equity issue, the biggest-ever share offer by an Indian company and the first from the public sector.

The plan highlights the increasing ability of Indian companies to raise funds in international markets as a result of economic reforms. Videsh Sanchar Nigam follows about 10 other Indian companies into the international capital markets. Together they plan to raise about US$1bn by the end of January.

INTERNATIONAL EQUITY ISSUES

This surge of issues is matched by a wave of interest among overseas fund managers in the Indian stock market. India has attracted about US$270m this year in foreign financial investments, according to finance ministry figures, though stockbrokers put the total as high as US$450m.

VSNL, which has been partially privatised over the last two years, is one of the most profitable enterprises in the generally poorly-performing Indian public sector. In the year to last March, it made net profits of Rs1.12bn ($35.7m) on sales of Rs7.4bn.

The company plans to sell 20m shares in the international markets and 16m in a separate domestic share offering, which will raise a further US$400m. The state's holding will fall from 85 per cent to 82 per cent.

Mr B.K. Syngal, chairman, said he had "many exciting plans", including investments in international satellite communications links. VSNL has also invested US$100m in a submarine cable running from Bombay to Marseilles in the west and Singapore in the east, which would connect India with high-speed international digital connections.

Other plans include expansion in video conferencing, mobile telecommunications, electronic mail and high-speed data transfer. VSNL also plans to lay domestic optical fibre links, partly to improve India's international links and partly for lease to the Department of Telecommunications for domestic use.

VSNL is considering joint ventures in these fields with overseas telecommunications groups, among them British Telecom and Cable & Wireless of the UK and AT&T from the US. Mr Syngal said the possibility of an investment by a foreign group in VSNL had been discussed but none was planned.

Under government rules, registered financial institutions are the only foreign investors allowed to buy stock in the Indian market and are limited to a maximum holding of 5 per cent.

Korea Electric Power prepares to launch first global deal

By Antonia Sharpe

KOREA Electric Power, South Korea's partially-privatised power utility, is in the final stages of preparation for its first global bond offering. Lehman Brothers is thought to be arranging the deal.

Kepco, which has a high single-A credit rating, is likely to file a shelf registration with the US Securities and Exchange Commission today for a financing of at least $1bn and with an intermediate maturity.

The offering is expected to be launched at the end of an international roadshow which should start next week.

Syndicate managers noted that Kepco was already relatively well-known by international investors through its bond offerings in the Eurobond market and in the Yankee market, the US domestic bond market for foreign borrowers. They added that the city of Seoul was also looking to tap the international bond market in the near future.

Among yesterday's new issues, Depfa, Germany's largest mortgage bank, took advantage of current investor

INTERNATIONAL BONDS

demand for long-dated Canadian dollar paper to meet its D-Mark funding requirements.

Mr Frank Rühland, Depfa's treasurer, said it was becoming difficult to raise D-Mark financing with a maturity of more than eight years in the domestic German bond market. This is because investors are now focusing on the shorter end of the yield curve, which they believe will perform better in the event of further interest rate cuts than the long end.

However, Depfa was able to solve this problem by swapping part of the proceeds of yesterday's C$200m offering of 15-year Eurobonds into fixed-rate D-Marks.

The bonds were priced to yield 36 basis points over the benchmark 7¾ per cent Canadian government bond due 2003 and 22 basis points over the interpolated 15-year area of the yield curve.

Lead manager Goldman Sachs said the yield on Depfa's bonds was equivalent to the current yield on the Kingdom of Sweden's recent issue of 15-year Canadian dollar bonds.

Depfa is expected to continue its international fundraising spree next week when it launches an offering of 10-year Eurobonds which should raise between FFr2bn and FFr3bn.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees %	Spread bp	Book runner
US DOLLARS							
Province of Alberta(a)	275	5.0	100R	Dec.1997	0.225R	(a)	Swiss Bank Corp
CANADIAN DOLLARS							
Depfa Finance	200	7.25	98.89R	Dec.2008	0.375R	+36 (7¾%-03)	Goldman Sachs Intl.
Deutsche Bk.Fin.(Curacao)(b)	300	7.00	99.065	Dec.2004	-	+15 (7½%-03)	Deutsche Bank
ESCUDOS							
KFW Finance	15bn	8.75	100.50	Dec.1998	1.625	-2 (12½%-98)	Deutsche Bank (Portugal)
YEN							
Mitsubishi Corp. Fin.(c)	10bn	3.0	100.25R	Nov.1997	0.25R	-	Fuji International Fin.

Final terms and non-callable unless stated. The yield spread (over relevant government bond)at launch is supplied by the lead manager. R: fixed re-offer price; fees are shown at the re-offer level. a) Spread of 21.5bp over average yield when issued of the 3 & 5 year U.S. treasuries, or 26bp over the current 3 and 5 year treasuries. b) Issue launched 29/10/93, amount increased from C$250m. c) Short first and second coupons.

The Canadian province of Alberta made a rare appearance in the Eurobond market yesterday with a $275m offering of four-year Eurobonds. Lead manager SBC said the issue was a refinancing of a high-coupon Swiss franc offering which Alberta called last month. This explains the unusual size and maturity of the deal.

SBC said the 5 per cent coupon on Alberta's new bonds prompted some investors to switch out of their holdings of short-dated collared floating rate notes.

Before the recent weakness in the US Treasury market, investors had been keen to buy collared floating-rate notes (FRNs) because the minimum coupon on the notes was higher than the coupon available on short-dated dollar bonds.

Turkish bank raises $103m

By John Murray Brown in Ankara

TURKIYE Garanti Bankasi, Turkey's fourth biggest private sector bank, has raised $103m through an issue of shares to foreign institutional investors.

The deal, in the form of American depositary receipts, is only the second time Turkish shares have been issued internationally – the first was a small ADR issue by the privately owned Net Holding.

Advisers say the Garanti deal was three times subscribed. "We've had a presence in the international debt markets, now we want to establish ourselves in the equity markets," said Garanti's chief executive, Mr Akin Ongor.

The shares were sold by Garanti's major shareholder Mr Ayhan Şahenk, head of the Dogus Group of companies. The offering reduces his holding to around 51 per cent.

The bank made pre-tax profits of TL 1,230bn ($96m) in 1992. It has assets of TL20,539bn.

MARKET STATISTICS

FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 6:55 pm on November 4

[illegible]

STRAIGHT BONDS: The yield is the yield to redemption of the bid-price; the amount issued is in millions of currency units. Chg. day=Change on day. FLOATING RATE NOTES: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. Spread=Margin above six-month offered rate. CONVERTIBLE BONDS: Denominated in dollars unless otherwise indicated. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	51	4	24
Other Fixed Interest	4	1	10
Commercial, Industrial	187	365	863
Financial & Property	70	312	445
Oil & Gas	12	21	46
Plantations	0	3	6
Mines	68	16	55
Others	27	71	39
Totals	419	793	1,486

LONDON RECENT ISSUES

EQUITIES

Issue Price	Am'nt Paid up	Latest Renunc. Date	1993 High	1993 Low	Stock	Closing Price	+or-	Net Div.	Times Cov'd	Gross Yield	P/E Ratio
-	F.P.	-	94	91¼	Actrust Emrg Economics	92		-	-	-	-
-	F.P.	-	52	48	Do Warrants	52		-	-	-	-
170	F.P.	-	178	170	BSM	170		W5.78	0.7	4.3	43.5
[illegible]											

FIXED INTEREST STOCKS

[illegible]

RIGHTS OFFERS

Issue Price	Amount Paid up	Latest Renunc. Date	1993 High	1993 Low	Stock	Closing Price	+or-
[illegible]							
85	Nil	23/11	13pm	7pm	¼Comac	7pm	-2
63	Nil	14/12	8pm	8pm	Elliott (B)	8pm	
35	Nil	13/12	1¼pm	1¼pm	Eng & Overseas Props	1¼pm	-½
80	Nil	10/12	36pm	25pm	Fenner	36pm	+4
187	Nil	10/12	38pm	28pm	Frost	38pm	
375	Nil	6/12	140pm	115pm	Matthew Clark	138pm	
28	Nil	2/12	14pm	7pm	Safeland	7pm	
485	Nil	24/11	80pm	76pm	Siebe	78pm	
195	Nil	12/11	26½pm	22pm	Takare	22pm	
2½	Nil	10/12	¼pm	¼pm	Wentworth	¼pm	
15	Nil	27/11	3pm	3pm	Wescol	3pm	
215	Nil	8/12	45pm	31pm	Yale Catto	45pm	+3

pm Price at a premium. For other notes please refer to the Guide to the London Share Service.

TRADITIONAL OPTIONS

- First Dealings Oct. 25
- Last Dealings Nov. 5
- Last Declarations Jan. 27
- For settlement Feb. 7

3-month call rate indications are shown in Saturday editions.

Calls: Avesco, Goldsmiths, Hanson Wts., Holmes & March. Microvitec, Morrison (Wm.), Psion, Raine Inds., Wilshaw. Puts: Goldsmiths, Medeva, Shoprite.

FT-SE ACTUARIES INDICES

LIFFE EQUITY OPTIONS

[illegible]

November 4 Total Contracts 31,395
Calls 14,053 Puts 17,342
FT-SE Index Calls 4,814 Puts 9,222
Euro FT-SE Calls 535 Puts 1,197
*Underlying security price. †Long dated expiry months. Equity premiums are based on closing offer prices. Index options are settlement prices.

FT-ACTUARIES FIXED INTEREST INDICES

	PRICE INDICES	Thu Nov 4	Day's change %	Wed Nov 3	Accrued interest	xd adj. 1993 to date
	British Government					
1	Up to 5 years (24)	128.76	+0.13	128.59	1.69	10.03
2	5-15 years (23)	156.33	+0.10	156.17	1.59	11.86
3	Over 15 years (8)	177.88	+0.04	177.80	2.85	9.70
4	Irredeemables (6)	206.13	+0.47	205.17	0.18	13.47
5	All stocks (61)	151.93	+0.10	151.78	1.79	10.88
	Index-Linked					
6	Up to 5 years (2)	190.04	+0.10	189.84	0.46	4.28
7	Over 5 years (11)	187.50	+0.20	187.13	0.87	4.29
8	All stocks (13)	186.84	+0.19	186.49	0.83	4.27
9	Debs & Loans (66)	143.56	+0.29	143.14	2.05	9.76

	AVERAGE GROSS REDEMPTION YIELDS		Thu Nov 4	Wed Nov 3	Year ago (approx.)
	British Government				
1	Low	5 years	6.11	6.15	6.94
2	Coupons	15 years	7.04	7.03	8.18
3	(0%-7¾%)	20 years	7.14	7.15	8.47
4	Medium	5 years	6.33	6.37	7.25
5	Coupons	15 years	7.16	7.16	8.57
6	(8%-10¾%)	20 years	7.22	7.22	8.61
7	High	5 years	6.46	6.50	7.50
8	Coupons	15 years	7.37	7.38	8.87
9	(11%-)	20 years	7.39	7.38	8.99
10	Irredeemables(Flat Yield)		7.28	7.29	8.89
	Index-Linked				
11	Inflation rate 5%	Up to 5yrs.	2.30	2.33	2.27
12	Inflation rate 5%	Over 5 yrs.	3.11	3.12	3.68
13	Inflation rate 10%	Up to 5 yrs.	1.46	1.51	1.51
14	Inflation rate 10%	Over 5 yrs.	2.94	2.95	3.50
15	Debs & Loans	5 years	7.88	7.78	8.95
16		15 years	8.11	8.15	9.85
17		25 years	8.26	8.29	10.09

Growing competition behind food retailer's sluggish growth

Wm Low edges ahead to £21m

By Paul Taylor

WM LOW, the Dundee-based food retailer facing growing competition from both discount chains and superstores, yesterday reported a modest 2.4 per cent increase in full year pre-tax profits boosted by two new store openings.

Pre-tax profits edged up from £20.6m to £21.1m in the 52 weeks to September 4. Turnover increased by 6.4 per cent to £447m (£420m) mainly reflecting the opening of the new stores.

However, on a like-for-like basis sales grew by just 0.5 per cent. The group acknowledged that several factors limited growth during the year including consumers' down-trading to cheaper products, low inflation and "increased price competition in all sectors of the market and the continuing increase in new forms of food retailing."

Nevertheless, Mr Philip Spicer, chief executive, emphasised that despite these tough new trading conditions the group had been "squeezed not squashed."

However, static or falling store volumes resulted in higher operating cost ratios both in the branches and in head office. As a result, net operating margins in the second half were 5.1 per cent compared with 5.9 per cent in the same period last year but 0.3 per cent ahead of the first half.

Operating profits increased to £22.1m (£20.8m) but interest costs jumped to £992,000 (£1,000 interest receipts) after capitalising £2.32m (£3.03m) of interest on borrowings incurred to finance the group's development programme.

Capital expenditure for the past year was £41.7m but is expected to be scaled back to about £28m this year. This expenditure will be partly offset by the estimated £9m proceeds from the sale of a retail park development and other disposals.

The group ended the year with net borrowings of £55.5m, equivalent to gearing of 33 per cent. Earnings per share edged ahead to 28.52p (28.22p) and the proposed final dividend is held at 5.7p making an unchanged total of 8.4p. The shares fell 6p to close at 154p.

● COMMENT

Wm Low is being squeezed at both ends of the fast changing retail food sector in the group's traditional heartland. The deep discounters like Shopright are going head-to-head on price while the superstore operators like Sainsbury, which are expanding in Scotland, can overwhelm on range. Although capital spending is being slowed pre-tax profits this year could fall to about £17m producing earnings of about 18.2p and a prospective p/e of 8.5, a significant discount to an already battered sector.

Ashley Ashwood

James Millar, chairman: capital spending to be scaled back

Raglan back in profit and calls for £19m

By John Murrell

RAGLAN Property Trust yesterday called for £19.3m net via a 2-for-1 rights issue and also reported a swing from losses of £1.47m to profits of £88,000 pre-tax for the six months to end-September.

The proceeds of the issue will enable Raglan to acquire selective investment properties "on attractive terms".

It is currently negotiating the acquisition of a number of commercial property portfolios which, if completed, would have an aggregate cost of £31m.

A contract for the purchase of one of these portfolios, comprising 16 shops and five offices, is expected to be exchanged before the end of the year at a cost of £12m.

The group recently agreed to acquire a 150-year leasehold interest in the existing Castle Centre shopping precinct in Banbury, near Oxford, from Cherwell district council. The stake will entitle Raglan to 39.5 per cent of the total rents received from tenants in the centre.

The shopping precinct is located immediately adjacent to land and property that Raglan proposes to develop.

Some £8.5m of the money being raised has been earmarked to acquire the interest in the Castle Centre and to fund Raglan's development proposals in Banbury over the next two years.

The rights issue, which is being underwritten by NM Rothschild, is of 62.45m new ordinary shares at 32p per share. The existing shares slipped 2p yesterday to 45p. Brokers to the issue are Cazenove & Co.

Turnover for the opening half year totalled £4.93m (£187,000). Interest charges were cut from £337,000 to £67,000 and earnings per share emerged at 0.3p (losses of £20.91p).

Mr Charles Cecil, the chairman, said the return to profitability was a "welcome sign that the plans put in place at the time of the restructuring in April were beginning to bear fruit".

Medeva court setback over drug infringement

By Richard Gourlay

MEDEVA, the rapidly growing pharmaceuticals company whose shares halved this summer after a profits warning, yesterday suffered a further set back in the High Court.

Mr Justice Aldous ruled that Medeva's activities had infringed a patent held by US drug company Biogen for a Hepatitis B vaccine.

The vaccine, bought by Medeva last year, was the company's best early opportunity to produce a block-buster drug and demonstrate it could market products it had developed.

Mr Bernard Taylor, chairman, said Medeva was "disappointed and surprised by the decision" and the company would appeal. When the vaccine was bought for an initial £3.86m in 1992, Medeva expected a fight with Biogen but had expected to win. Last year the European Patent Office revoked Biogen's patent over Hepatitis B, a decision which the US company is also appealing against.

A Medeva spokesman said that if the EPO rejected this appeal when it passed judgment next year, the decision would over-rule whatever had happened in the British High Court.

Medeva's shares had a roller coaster day, rising sharply initially on anticipation of the judge finding in Medeva's favour. The shares then fell to 109p in heavy trading before recovering to close at 119½p, a loss of 5½p on the day.

The judge held Biogen's patent partially valid on the Hepatitis B vaccine which is licensed to Merck and SmithKline Beecham. Medeva said it would continue to develop the vaccine, sales of which were not due to start until 1995-96.

The company has adopted a novel strategy that includes buying portfolios of drugs in late stages of development to take them through the regulatory procedures to market.

Just as the strategy was beginning to convert some of the sceptics in the summer, Medeva warned that profits this year would rise but still be well below expectations.

There was a write-down of previously reported profits in MD Pharmaceuticals, its Californian subsidiary, but the company also said MD had been forced by the Food and Drug Administration to close temporarily to deal with production shortcomings.

In September, Medeva's hopes of launching a generic metered dose inhaler which would have challenged markets dominated by proprietary anti-asthma products, also suffered a setback.

Smaller companies trusts to raise £70m

By Philip Coggan,
Personal Finance Editor

TWO SMALLER companies investment trusts announced plans to raise up to £70m of new capital yesterday. Both Foreign & Colonial Smaller Companies and Amicable Smaller Enterprises are issuing C shares in a combination of a placing and open offer.

F&C Smaller Companies was ranked fourth among 29 smaller companies trusts in the year to November 1, according to Micropal, a performance ranking service; Amicable Smaller Enterprises was ranked fifth. UK smaller company shares have outperformed their larger brethren this year, after four successive calendar years of underperformance.

The F&C fund is international in scope, and buys shares in emerging markets. It says it will use the capital raised to "look at nearly new issues which have come to the market within the last two years and have achieved solid, but unexciting share prices."

F&C will issue up to 40m C shares at 100p, via a combination of a placing, open offer to existing shareholders on a 1-for-6 basis, and an offer-for-subscription. The C shares will convert into ordinary shares before March 25, 1994; issuing shares is a common device used by trusts when raising new capital, and is designed to avoid dilution of the net asset value of existing shares.

Amicable Smaller Enterprises is placing 25.15m C shares and making an open offer of a further 5m C shares at 100p each. The directors believe "there are currently favourable opportunities for investment in UK smaller companies and therefore that it is an appropriate time to expand the capital base of the company." The Amicable C shares will convert before December 31.

Both issues will need to be approved at extraordinary meetings - on November 29 for Amicable Smaller and on December 2 for F&C Smaller. Shares in F&C Smaller fell ½p to 168p yesterday; Amicable Smaller shares were unchanged at 121p.

Allders flotation subscribed 2½ times

By Maggie Urry

THE PUBLIC element of Allders' flotation has been 2½ times subscribed, and allocations have been scaled down.

The company, which operates department stores and duty-free shops, received 24,964 applications for 43.62m shares, compared with the 17.76m shares available to the public.

Dealings are due to start in the shares on November 10.

Those who applied for the minimum 200 shares will receive 160; applicants for 300 shares are to get 200 and so on until applicants for 3,000 shares will receive 1,350 shares.

Above that level applicants will get a percentage of the number they applied for. Applications between 4,000 and 490,000 shares get 40 per cent; 500,000 to 990,000 get 30 per cent; 1m to 2m, get 25 per cent and over 2m get 20 per cent.

Euromoney shows 28% rise to £17.7m

By Peter Pearse

EUROMONEY Publications, the information group 75 per cent-owned by the Daily Mail and General Trust, lifted pre-tax profits by 28 per cent from £13.8m to £17.7m in the year to September 30.

All parts of the group increased profits, except transport and leasing publishing. This, Mr Richard Ensor, Euromoney managing director, ascribed to the flatness of the aviation industry.

Operating profits in the group's core activity, international financial publishing, grew to £9.54m (£8.79m). Mr Ensor said that this area had been steadily rising over the years and profits were not simply derived from Euromoney magazine.

Another engine behind the profits advance was training, which was swelled by the £3.7m acquisition of the banking and management training arm of DC Gardner in June. It was now Euromoney's second main activity and lifted operating profits to £2.71m (£1.34m).

Mr Ensor said that Gardner had only contributed for its poorest quarter and that there had been some disruption from moving following the purchase.

Mr Ensor saw scope for both organic and acquisition expansion, though any of the latter would be in "niche" training - either in geography or subject.

Profits were also boosted by a greater contribution from associated undertakings, up to £1.27m (£237,000). This was partly due to AIC, the international seminars business. In July, Euromoney lifted its stake in AIC from 40 per cent to 60 per cent.

Indeed, the group said it had paid £14m for 33 businesses since September 1989 and expected to spend a further £18m over the next two years increasing its stakes in them.

Mr Ensor said that this gradual method of acquisition gave vendors an incentive to manage the businesses as well as possible in the earn-out period.

Group turnover expanded to £49.7m (£44.9m), with £4.05m coming from acquisitions during the year. Earnings were up at 56.84p (44.41p) per share and the dividend is increased to a proposed 38p (29.5p).

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corres - ponding dividend	Total for year	Total last year
Bellway ....fin	8†	Jan 17	7.5	12	11.5
Boots ....int	4.9	Feb 4	4.6	-	13.4
British Telecom ....int	6.65	Feb 14	6.15	-	15.6
Euromoney ....fin	27.5	Jan 14	21.5	38	29.5
Hambro Insurance ....int	1.85	Dec 10	-	-	-
Low (Wm) ....fin	5.7	Jan 6	5.7	8.4	8.4
MMT Computing § ....fin	2.75	Jan 11	2.4	4	3.5
Smart (J) ....fin	6.2	Dec 20	6.2	8.5	8.5
Westbury ....int	1.75	Jan 6	1.75	-	5

†On increased capital. §USM stock.

The Directors, whose names appear on page 4 of the listing particulars dated 4 November 1993 relating to Gartmore plc ("Listing Particulars"), accept responsibility for the information contained in this advertisement. To the best of the knowledge and belief of the Directors (who have taken all reasonable care to ensure that such is the case), the information contained in this advertisement is in accordance with the facts and does not omit anything likely to affect the import of such information. The Listing Particulars alone contain full details of the history and the business of the Group. The Directors are satisfied that this advertisement contains a fair summary of the key information set out in the Listing Particulars.

Gartmore plc

(Incorporated and registered in England and Wales under the Companies Acts 1985-1989 with registered number 2476294)

PLACING AND PUBLIC OFFER BY KLEINWORT BENSON LIMITED

of

45,037,990 ordinary shares of 10p each at 168p per share payable in full on application

The application list for the Ordinary Shares now being offered to the public will open at 10.00 am on Thursday, 11 November 1993 and may be closed at any time thereafter. The procedure for application and an Application Form for use in connection with the Public Offer are set out at the end of this advertisement. Application has been made to the London Stock Exchange for the whole of the issued ordinary share capital of Gartmore plc to be admitted to the Official List. It is expected that admission to the Official List will become effective and that dealings in the Ordinary Shares will commence on Friday, 19 November 1993.

SHARE CAPITAL

Authorised			Issued	
Number	Amount		Number	Amount
240,000,000	£24,000,000	ordinary shares of 10p each	201,547,560	£20,154,756

The Ordinary Shares which are the subject of the Offer rank *pari passu* in all respects with the other issued Ordinary Shares and rank in full for all dividends or other distributions declared, paid or made in respect of the issued ordinary share capital of Gartmore plc.

KEY INFORMATION

The following information should be read in conjunction with the full text of the Listing Particulars from which it is derived.

BUSINESS

Gartmore provides investment management and advisory services to institutional and retail clients, both in the UK and overseas. The Group is one of the leading fund managers based in the UK and has a significant presence in the management of pension funds, unit trusts and offshore funds and investment trusts.

At 30 June 1993, funds under management of the Group totalled £16,085 million. These were divided between Gartmore's principal activities as shown below:

Activity	£ million	%
Pension funds	12,436[i]	77
Unit trusts and offshore funds	1,124	7
Investment trusts	858	5
Other[ii]	1,667	11
Total	16,085	100

(i) Including £352 million invested on behalf of UK pension fund clients in Gartmore's other products, including retail unit trusts. This amount has been excluded from the figures given for these other products in the above table.
(ii) Including overseas client funds (including funds managed by McLean, Budden), venture capital and money funds.

The value of funds under management of the Group has grown strongly in recent years as shown below:

		At 31 December		At 30 June
	1990	1991	1992	1993
	£ million	£ million	£ million	£ million
Value of funds	6,992	9,294	12,827	16,085
Net new funds added during period	657	1,625	1,279	2,290

At 30 September 1993, funds under management of the Group totalled £18.1 billion.

Gartmore's record of gaining new business has been built on the Group's strong and consistent investment performance, supported by high levels of client service.

FINANCIAL RECORD

The following financial information has been extracted from the Accountants' report which is set out in Part VII of the Listing Particulars:

	12 months ended 31 December			Six months ended 30 June
	1990	1991	1992	1993
	£'000	£'000	£'000	£'000
Revenue	35,436	40,923	47,715	30,051
Operating profit[i]	5,981	9,178	12,508	10,799
Profit on ordinary activities before taxation[i]	9,427	13,378	14,939	11,315
Profit/(loss) on ordinary activities before taxation[ii]	3,933	2,004	(2,147)	9,571

(i) Before non-recurring and exceptional items.
(ii) After non-recurring and exceptional items.

PROFIT FORECAST

The Directors forecast that, in the absence of unforeseen circumstances, Gartmore's profit on ordinary activities before taxation for the year ending 31 December 1993 will be not less than £22.8 million and, on a pro forma basis, will be not less than £24.5 million. Details of the profit forecast and the pro forma profit forecast, including the bases and principal assumptions on which they have been prepared, are set out in Part V of the Listing Particulars.

THE OFFER

All of the 45,037,990 Ordinary Shares being sold under the Offer are owned by Banque Indosuez. The Offer has been fully underwritten by Kleinwort Benson at the Offer Price. 29,274,694 Ordinary Shares are being placed with institutions and 15,763,296 Ordinary Shares are being offered to the public. Cazenove & Co. are stockbrokers to the Company. Arrangements have been made under which up to 1,576,330 Ordinary Shares available under the Public Offer are being reserved to meet applications from eligible employees of the Group.

OFFER STATISTICS

Offer Price	168p
Number of Ordinary Shares in issue	201,547,560
Market capitalisation at the Offer Price	£338.6 million
Forecast earnings per Ordinary Share[i]	7.9p
Pro forma forecast earnings per Ordinary Share[ii]	8.1p
Prospective price earnings multiple at the Offer Price[i]	21.3 times
Prospective pro forma price earnings multiple at the Offer Price[ii]	20.7 times
Notional gross dividend yield at the Offer Price[iii]	3.0 per cent.
Notional dividend cover[iv]	2.0 times

(i) Based on the profit forecast for the year ending 31 December 1993 set out in Part V of the Listing Particulars.
(ii) Based on the pro forma profit forecast for the year ending 31 December 1993 set out in Part V of the Listing Particulars.
(iii) Based on the net dividend of 4.0p per share which the Directors consider, on the basis of the pro forma profit forecast, that they would have recommended in respect of the year ending 31 December 1993 if the Company's ordinary share capital had been listed on the London Stock Exchange for the whole of that year, and assuming a related tax credit of 20 per cent.
(iv) Based on the pro forma forecast earnings per Ordinary Share and the notional net dividend referred to in note (iii) above.

RELATIONSHIP WITH BANQUE INDOSUEZ

The Company is currently a wholly-owned subsidiary of Banque Indosuez. On completion of the Offer, Banque Indosuez will own 75 per cent. of the Company's issued ordinary share capital. Banque Indosuez has no intention of altering its percentage interest in the Company in any event. Banque Indosuez has undertaken that, subject to certain exceptions, it will not acquire any further Ordinary Shares and that it will not dispose of any Ordinary Shares for a period of one year following completion of the Offer. In connection with the Offer, the Company and Banque Indosuez have entered into an agreement which governs certain aspects of the future relationship between the two parties, including their ability to acquire and carry on investment management businesses in France in the case of Gartmore and in the UK in the case of Banque Indosuez. Details of this agreement and other arrangements between the Company and Banque Indosuez are set out in Part IV of the Listing Particulars.

TERMS AND CONDITIONS OF APPLICATION

1. TERMS AND CONDITIONS

(a) The contracts arising from the acceptance of applications will be conditional on (i) permission being granted for the whole of the Company's issued ordinary share capital to be admitted to the Official List of the London Stock Exchange ("Admission") and Admission becoming effective by the making of an announcement in accordance with Rule 520 of the rules thereof by the London Stock Exchange no later than 19 November 1993 (or such later date as Kleinwort Benson, Banque Indosuez and the Company may agree in writing being not later than 30 November 1993), and (ii) the obligations of Kleinwort Benson under the offer for sale and placing agreement referred to in paragraph 9 of Part VIII of the Listing Particulars, of which these terms and conditions of application form part, becoming unconditional and that agreement not being terminated before Admission becomes effective. Cheques or bankers' drafts for amounts payable on application may be presented for payment before such conditions are satisfied and, if such conditions are not satisfied, application moneys will be refunded (without interest) by returning the applicant's cheque or bankers' draft or by sending a cheque for the balance crossed "Account Payee" in favour of the first-named applicant through the post to the address of the first-named applicant at the risk of the applicant(s). In the meantime, application moneys will be kept in a separate bank account. It is expected that Admission will become effective on 19 November 1993.

(b) Save where the context otherwise requires, terms defined in the Listing Particulars bear the same meaning when used herein. References to the Application Form include, where the context permits, references to the Employee Application Form to be used by employees under the preferential allocation arrangements referred to in paragraph 2 below.

(c) Subject to these terms and conditions of application, Kleinwort Benson on behalf of Banque Indosuez reserves the right to reject in whole or in part or to scale down any applications, including, in particular, multiple or suspected multiple applications, and to present any cheques or bankers' drafts for payment on receipt. If any application is not accepted, or is accepted for fewer Ordinary Shares than the number applied for, the application moneys or, as the case may be, the balance of the application moneys, will be returned (without interest) by returning the applicant's cheque or bankers' draft or by sending a cheque for the balance crossed "Account Payee" in favour of the first-named applicant through the post to the address of the first-named applicant at the risk of the applicant(s). Kleinwort Benson on behalf of Banque Indosuez reserves the right to treat as valid and binding upon the applicant(s) any application, even if the accompanying Application Form is not completed in all respects in accordance with the instructions or is not accompanied by a power of attorney where necessary. The right is reserved to reject any application in respect of which the applicant's cheque or bankers' draft has not been cleared on first presentation and by 12.00 noon on 17 November 1993.

(d) The Public Offer is being made by Kleinwort Benson as agent of Banque Indosuez. Applications (other than those made under the employee preferential allocation arrangements referred to in paragraph 2 below) must be made on the accompanying Application Form. By completing and delivering an Application Form, you as the applicant(s):

(i) offer to purchase from Banque Indosuez the number of Ordinary Shares specified in your Application Form (or such smaller number for which the application is accepted) at the Offer Price on the terms and subject to the conditions set out in the Application Form (of which these terms and conditions of application and the guide to the Application Form form a part) and subject to and on the basis of the information contained in the Listing Particulars and subject to the Memorandum and Articles of Association of the Company;

(ii) authorise Lloyds Bank Registrars ("LBR") to send on behalf of Kleinwort Benson a definitive share certificate for the number of Ordinary Shares for which your application is accepted and/or a cheque crossed "Account Payee" for any moneys returnable (without interest) or your cheque or bankers' draft in each case by post, at the risk of the person(s) entitled thereto, to your address (or in the case of joint applicants, to that of the first-named applicant as set out in your Application Form) and to do all things necessary to procure that your name (together with the name(s) of any joint applicant(s)) is placed on the register of members of the Company in respect of such Ordinary Shares for which your application is accepted;

(iii) in consideration of Kleinwort Benson and Banque Indosuez agreeing that they will consider and process applications for Ordinary Shares under the Public Offer in accordance with the procedures set out in the Listing Particulars and as a collateral contract between you and Kleinwort Benson and Banque Indosuez (for themselves and as trustees of the benefit thereof for the Company), which will become binding on despatch by post or delivery by hand of the Application Form to LBR at the address specified in the Application Form:

— agree that your application cannot be revoked by you until after 30 November 1993;

— warrant that your remittance will be honoured on first presentation and agree that if such remittance is not so honoured, you will not be entitled to receive a share certificate in respect of the Ordinary Shares applied for or to enjoy or receive any rights or distributions in respect of any Ordinary Shares unless and until you make payment in cleared funds for such Ordinary Shares and such payment is accepted by Kleinwort Benson on behalf of Banque Indosuez (which acceptance shall be in its absolute discretion and will be on the basis that you indemnify Kleinwort Benson, Banque Indosuez and the Company against all costs, damages, losses, expenses and liabilities arising out of or in connection with the failure of your remittance to be honoured on first presentation) and that, at any time prior to unconditional acceptance by Kleinwort Benson on behalf of Banque Indosuez of such late payment in respect of such Ordinary Shares, Kleinwort Benson may (on behalf of Banque Indosuez and without prejudice to any other rights) avoid the agreement to allocate such Ordinary Shares to you and may re-allocate Ordinary Shares without liability to you or to some other person, in which case you will not be entitled to any refund or payment in respect of such Ordinary Shares (other than the refund to you at your risk of any proceeds of the cheque or bankers' draft accompanying your application, without interest); and

— agree promptly, on request by Kleinwort Benson, to disclose in writing to it any information which it may request in connection with your application and authorise Kleinwort Benson to disclose any information relating to your application which it may consider appropriate;

(iv) agree that any definitive share certificate to which you might become entitled and moneys to be returned to you may be retained pending clearance of your remittance or pending investigation of any suspected breach of the warranties in these terms and conditions of application and that such moneys will not bear interest;

(v) agree that in respect of those Ordinary Shares for which your application has been received and is not rejected, allocation of such Ordinary Shares to you shall be constituted, at the election of Kleinwort Benson on behalf of Banque Indosuez, either by notification to the London Stock Exchange of the basis of allocation (in which case allocation shall be on that basis) or by the determination of the number of Ordinary Shares to be allocated pursuant to the arrangements between Kleinwort Benson and LBR;

(vi) warrant that, if you sign an Application Form on behalf of somebody else or a corporation, you have the authority to do so and such person will be bound accordingly and will be deemed also to have made the offer and given the authorities, confirmation, warranties and undertakings contained in these terms and conditions of application;

(vii) confirm that in making this application, neither you, nor any person on whose behalf you are applying, is relying on any information or representation in relation to the Company or to any other member of the Group other than such as may be contained in the Listing Particulars and you accordingly agree that none of Kleinwort Benson, the Company, the Directors, Banque Indosuez or any other person acting on behalf of them or any other person responsible solely or jointly for the Listing Particulars, or any part of the Listing Particulars, shall have any liability for any such information or representation;

(viii) warrant that no other application (not being an application under the terms of the employee preferential allocation arrangements referred to in paragraph 2 below) is being made by you for your own account or by another on your behalf or for your benefit and with your knowledge for such purpose or, if you are applying as agent or nominee of another, that no other application is being made by you not being an application as aforesaid as an agent or nominee for that other person and that other person is not, to your knowledge, acting in concert with any other person or persons as aforesaid;

(ix) agree that all applications, acceptances of applications and contracts resulting from them under the Public Offer shall be governed by and construed in accordance with English law and that you submit to the jurisdiction of the English courts and agree that nothing shall limit the rights of Kleinwort Benson or Banque Indosuez or the Company to bring any action, suit or proceedings arising out of or in connection with any such applications, acceptances of applications or contracts in any manner permitted by law or in any court of competent jurisdiction;

(x) warrant that you are not in the United States (as such term is used in Regulation S under the United States Securities Act of 1933 ("Securities Act"));

(xi) warrant that in connection with your application, you have observed the laws of all relevant territories, obtained any requisite governmental or other consents which may be required, complied with all requisite formalities and paid any issue, transfer or other taxes due in connection with your application in any territory, other than stamp duty or stamp duty reserve tax, and that you have not taken any action or omitted to take any action which will or may result in Kleinwort Benson, Banque Indosuez or the Company or any of their respective directors, officers, agents or employees acting in breach of the regulatory or legal requirements of any territory in connection with the Public Offer or your application;

(xii) agree that, having had the opportunity to read the Listing Particulars, you shall be deemed to have notice of all information and representations concerning the Company or any other member of the Group contained therein;

(xiii) warrant that you are not:

— applying as, or as a nominee or agent for, a person who is or may be liable to stamp duty under any of sections 67, 70, 93, or 96 of the Finance Act 1986 (depository receipts and clearance services); or

— applying as, or as a nominee or agent for, a person who is a market-maker in the Ordinary Shares within the meaning of Section 81 of the Finance Act 1986. If you are unable to make this warranty, please state the date on which application for registration as a market-maker in respect of the Ordinary Shares was made to the London Stock Exchange and confirm that the purchase is being made in the ordinary course of business as market-maker; or

— applying for registration as, or as a nominee or trustee for, a body of persons established for charitable purposes only. If you are unable to make this warranty, please state the name of the charity and its registered number (where applicable);

(xiv) authorise Kleinwort Benson on behalf of Banque Indosuez, or any person authorised by Kleinwort Benson, on your behalf to make such returns to the Inland Revenue in relation to stamp duty reserve tax (if any) payable on any contract arising on acceptance of your application and in relation to stamp duty (if any) payable on any transfer of Ordinary Shares as a result of such contract;

(xv) warrant that you are not under 18 years of age on the date of your application and that you are not applying on behalf of a person who is under 18 years of age on the date of your application unless it is a single application made as parent, grandparent or guardian for the benefit of a minor;

(xvi) agree that Kleinwort Benson will not treat you as its customer by virtue of such application being accepted and that Kleinwort Benson will not be responsible to you for providing to you the protections afforded to its customers and, accordingly, will not owe you any duties or responsibilities concerning the price of Ordinary Shares or concerning the suitability of Ordinary Shares for you as an investment;

(xvii) agree that your Application Form is addressed to Kleinwort Benson and Banque Indosuez; and

(xviii) authorise LBR or Kleinwort Benson or their agents to do all things necessary to effect registration into your name(s) of any Ordinary Shares acquired by you and authorise any representative of LBR or Kleinwort Benson to execute and/or complete any document of title required therefor.

(e) No person receiving a copy of the Listing Particulars or an Application Form in any territory other than the UK may treat the same as constituting an invitation or offer to him, nor should he in any event use such form unless, in the relevant territory, such an invitation or offer could lawfully be made to him or such form could lawfully be used without contravention of any registration or other regulatory or legal requirements and without any action being required by Kleinwort Benson, Banque Indosuez or the Company for the purpose of making such invitation or offer lawful in such territory. It is a condition of any application by any person outside the UK that he must satisfy himself as to full observance of the laws of any relevant territory in connection with the application including obtaining any requisite governmental or other consents which may be required and complying with any requisite formalities, and paying any issue, transfer or other taxes due in any such territory. The Listing Particulars and the other documents relating to the Public Offer have not been submitted to the clearance procedures of any European or other authorities other than the relevant authorities in the UK. Kleinwort Benson on behalf of Banque Indosuez reserves the right in its absolute discretion to reject any application made by any person outside the UK.

(f) The Ordinary Shares have not been, and will not be, registered under the Securities Act and, subject to certain exceptions, may not be offered or sold within the United States. The terms and conditions of application incorporate a warranty that the applicant(s) is (are) not in the United States (as defined in Regulation S under the Securities Act). In addition, until 40 days after the date of the Listing Particulars, an offer or sale of Ordinary Shares within the United States by any dealer (as defined in the Securities Act), whether or not participating in the Public Offer, may violate the registration requirements of the Securities Act.

(g) Save to the extent permitted by law and for the information and representations contained in the Listing Particulars, all representations, warranties and conditions, express or implied and whether statutory or otherwise, are expressly excluded upon, and in relation to, the sale of the Ordinary Shares by Banque Indosuez.

(h) In the case of a joint application, references in these terms and conditions of application to "you" are to each joint applicant and the liability of joint applicants is joint and several.

The dates and times referred to in these terms and conditions of application may be altered by Kleinwort Benson so as to be consistent with the offer for sale and placing agreement (as the same may be altered from time to time in accordance with its terms).

2. ARRANGEMENTS FOR EMPLOYEES

Preferential consideration will be given to applications for up to 1,576,330 Ordinary Shares in aggregate (representing 10 per cent. of the Ordinary Shares which are subject to the Public Offer) from full-time and part-time employees of any company in the Group (other than McLean, Budden), non-executive Directors and certain employees of McLean, Budden at 20 October 1993 (together "eligible employees").

Each eligible employee may submit only one Application Form under the employee preferential allocation arrangements in respect of himself ("Employee Application Form").

To the extent that applications are received from eligible employees for more than 1,576,330 Ordinary Shares in aggregate, such applications (or some of them) will be treated as if they had been made on a public Application Form (and may be rejected or scaled down at the discretion of Kleinwort Benson on behalf of Banque Indosuez).

Applications by eligible employees are to be made in accordance with the terms and conditions of application set out on the Employee Application Form (and, accordingly, may be rejected or scaled down at the discretion of Kleinwort Benson on behalf of Banque Indosuez).

3. BASIS OF ACCEPTANCE, DOCUMENTS OF TITLE AND DEALING ARRANGEMENTS

Application Forms must be sent by post or delivered by hand to LBR so as to be received not later than 10.00 am on 11 November 1993 (or such later time as Kleinwort Benson may decide) at the address specified in the Application Form. The requirements for receipt of Employee Application Forms are contained in the guide to the Employee Application Form.

The application lists will open at 10.00 am on 11 November 1993 and will close as soon thereafter as Kleinwort Benson may determine. The basis on which applications are accepted will be announced as soon as possible after the application lists close. Subject to the arrangements for eligible employees (as described under paragraph 2 above), the basis of allocation for applications under the Public Offer will be determined by Kleinwort Benson on behalf of Banque Indosuez in its absolute discretion.

Temporary documents of title will not be issued. It is expected that definitive share certificates will be despatched by first class post on 18 November 1993. Dealings in the Ordinary Shares are expected to commence on 19 November 1993.

4. STAMP DUTY AND STAMP DUTY RESERVE TAX

In relation to stamp duty and stamp duty reserve tax ("SDRT") the Directors have been advised as follows:

(a) a conveyance or transfer on sale of Ordinary Shares will generally be subject to *ad valorem* stamp duty or (if an unconditional agreement to transfer such shares is not completed by a duly stamped transfer within two months) SDRT, in each case at the rate of 50p per £100 (or part thereof) of the actual consideration paid;

(b) where Ordinary Shares are issued or transferred to a nominee or agent of an issuer of depositary receipts, one of certain specified issuers of depositary receipts or a provider of clearance services or its nominee or agent, stamp duty or SDRT will be payable at the higher rate of £1.50 per £100 (or part thereof) of the price payable, which stamp duty or SDRT must be accounted for by such issuer of depositary receipts or the provider of clearance services or the nominee or agent of either such persons; and

(c) Banque Indosuez has undertaken in the offer for sale and placing agreement to pay any stamp duty or SDRT (if any) arising in respect of the purchase of the Ordinary Shares to be sold pursuant to the Offer (such payment to be discharged on its behalf by Kleinwort Benson) provided the person to whom it sells the Ordinary Shares or its nominee becomes the registered holder of those Ordinary Shares and the transfer of the Ordinary Shares to the purchaser or its nominee does not give rise to the higher rate stamp duty or SDRT charges referred to at (b) above. Where the purchaser or nominee does not become the registered holder of such Ordinary Shares and Banque Indosuez pays stamp duty on a stock transfer form in relation to the sale of such Ordinary Shares, then the person to whom Banque Indosuez sold the Ordinary Shares will have to account for SDRT generally at the rate of 50p per £100 (or part thereof) of the price payable.

Pursuant to provisions contained in the Finance Act 1990, stamp duty in respect of transactions in shares and SDRT were to be abolished from a day to be appointed by Treasury Order. It had been intended that the day would coincide with the introduction of TAURUS (Transfer and Automated Registry of Uncertified Stock) on the London Stock Exchange. Following the decision to abandon TAURUS, it has been announced that stamp duty (and SDRT) will remain in place at least for 1993/4. The position will be reviewed in the light of the conclusions of a task force set up by the Bank of England.

The above statements are intended as a general guide to the current position. Any person who is in any doubt as to his position is advised to consult his professional adviser.

French bank to raise £75.7m through sale of 25% holding

Indosuez to float Gartmore

By Norma Cohen, Investments Correspondent

BANQUE Indosuez, the French bank, is to raise £75.7m via the sale of 25 per cent of its UK fund management company, Gartmore, through a flotation at 168p a share.

The sale values Gartmore, the UK's fourth largest pension fund management company, at £338.6m, well above the company's own internal estimates prior to flotation of between £270m and £300m.

Of the 45m shares to be sold, 3 per cent will be bought by Gartmore directors at the offering price. Of the remainder, 14 per cent are to be placed with institutional shareholders in the UK and Europe and 8 per cent will be offered publicly.

In its prospectus, issued yesterday, Gartmore said its funds under management had risen to £18.1bn by the end of September, up £2bn in three months. In the first nine months of this year, its funds under management have soared by 41 per cent, according to Mr Philip Gibbs, financial industry analyst at Barclays de Zoete Wedd.

By contrast, Mercury Asset Management, which is also 25 per cent publicly owned and is the UK's largest pension fund manager, has been growing at an annual rate of 4 to 5 per cent, he said.

The surge in Gartmore's business has been driven by the pension fund consultants, who have been impressed with its consistently above-average performance in recent years. In 1992, Gartmore's median fund outperformed the industry median by nearly 4 percentage points.

Gartmore is forecasting earnings for 1993 of £24.5m or 8.4p per share, and said it intended to issue a notional net dividend for the year of 4p per share. The notional gross dividend yield will be 3 per cent.

Mr Paul Myners, Gartmore's chairman, said that the company's earnings could be hurt if there were to be significant changes in the way pension funds were regulated.


Paul Myners: worried about changes to pensions regulation

● COMMENT

Gartmore's shares, at 20.7 times earnings, look expensive when compared to those of, say, MAM, which trades at a more modest multiple of 16.7 per cent. But the growth in Gartmore's business is staggering, and if you believe it will continue to grow at its present rate the shares look cheap. However, it is unlikely Gartmore's chief marketing edge, the superlative results of last year, will be repeated. But even average results for the next two years will still give it an impressive three-year returns picture to sell to prospective clients. The big questions for Gartmore are whether it can keep its returns up over the long haul and whether it has allowed itself to become too dependent on a single source of new business, the UK pension fund market.

Throgmorton launches new trust

By Philip Coggan, Personal Finance Editor

A NEW investment trust from fund management group Throgmorton aims to fill the "financing gap" faced by many smaller companies. The Throgmorton Preferred Income Trust will buy preference shares issued by companies which wish to raise new capital.

Throgmorton argues that "despite the improvement in the economic outlook, it would appear that smaller companies are currently experiencing difficulties in obtaining borrowings on acceptable terms."

Raising money via an ordinary share issue on the stock market is expensive and Throgmorton believes that issuing preference shares will be a cost-effective alternative for companies raising sums of £2m-£3m. The costs to the company of an issue will be about £50,000 compared with between £300,000 and £400,000 for a rights issue.

The trust will buy the whole of each preference issue, which will be redeemable in five to seven years. The yield on each issue will be negotiated with each company, but Throgmorton expects to receive a substantial margin over gilts with the same maturity.

The trust will also take warrants to subscribe for about 5 per cent of each company's shares, in order to provide the prospect of capital growth.

Preference shares were traditionally a main part of the UK stock market but since the second world war the ravages of inflation have reduced their appeal to investors. There is only about £2bn of straight (non-convertible) preference share capital outstanding.

Shares in the Throgmorton trust are being placed with institutional investors at 100p each, and will offer a higher than average yield. Dividends will be paid twice yearly. Throgmorton hopes to raise between £30m and £60m to invest in 20 to 30 companies.

Mr David Hughes, formerly director of corporate finance at venture capital group 3i, will manage the trust. He says the money will be gradually invested over the first year.

Expenses of the issue are being restricted to 1.8 per cent (assuming the trust raises £30m). The annual management fee will be 1 per cent. The trust will be wound up after seven-and-a-half years.

Bulmer sells pectin business for £8.5m

By Philip Rawstorne

HP BULMER, the Hereford-based cider group, has sold its pectin business to Citrus Colloids, a management-led consortium, for £8.5m.

Pectin, a natural product extracted from citrus fruit peel and apples, is used as a gelling agent and stabiliser in a variety of foods and pharmaceuticals.

Bulmer, though one of the world's largest pectin producers, has decided to dispose of the business to concentrate resources on its core drinks operations.

The sale includes its UK manufacturing plant and its 50 per cent stake in Braspectina, a Brazilian pectin producer.

The business, which employs 270 people, made a profit before interest of £1m on turnover of £12.5m in the year to end-April. After a long period of steady volume growth, the pectin market has been hit by worldwide recession, decreased demand from the former Soviet Union, and growing competition in the past 18 months.

However, Mr Brian Carver, managing director of the Bulmer business since 1983 and leader of the buy-out, said yesterday: "Bulmer's decision has presented us with a tremendous opportunity. We have, over several years, built up a balanced worldwide market and this, together with the cost advantages of Braspectina, will give us a strong competitive advantage."

Citrus Colloids has been backed by 3i, the investment capital group, and Lenice, Bulmer's Brazilian partner, from which the management consortium is also acquiring the balance of Braspectina.

Bulmer will receive £8.5m cash on completion, subject to an adjustment based on the value of the net assets of the UK pectin operation.

A deferred consideration, equal to the fair value of 7.5 per cent of the ordinary shares in the pectin business, will become payable in cash on the sale of shares in Citrus Colloids.

NEWS DIGEST

15% growth at MMT Computing

MMT COMPUTING, the USM-quoted computer systems consultant, lifted pre-tax profits by 15 per cent, from £1.5m to £1.73m, in the year to August 31.

Mr Mike Tilbrook, the chairman, said that trading conditions were slowly improving, and that although margins remained under considerable pressure, the current order book was "excellent". He added that with cash balances of about £4.5m, the board was recommending a final dividend of 2.75p (2.4p), making 4p (3.5p) for the year.

Turnover on continuing operations improved from £6.22m to £7.06m. Earnings per share worked through at 9p (7.9p).

Alphameric back in black with £178,000

A turnround from pre-tax losses of £252,000 to a profit of £178,000 was yesterday reported by Alphameric, the information technology group, for the six months to end-September.

The recovery was achieved on a 75 per cent increase in turnover from £3.02m to £5.28m. After a minority charge of £33,000 (£8,000 credit) the retained profit for the period was £145,000 (£244,000 loss).

Earnings per share came out at 0.4p (1p losses).

Mr Alan Benjamin, chairman, said that although no dividend was proposed, it was the board's intention to restore dividends as soon as it was prudent to do so.

Lonrho buys coal interests in S Africa

Lonrho, the international trading conglomerate dominated by Mr Tiny Rowland for more than 30 years, is to acquire all the coal interests in the Eastern Transvaal of Agip, the Italian oil and gas company, for R70m (£11.1m).

The acquisition is to be made by Duiker Exploration, Lonrho's 73 per cent controlled South African arm.

The acquisition includes two operating collieries, and additional coal reserves yet to be developed. Lonrho expects the deal to double its coal export capability to about 3m tonnes a year, through its shareholding in Richards Bay Coal Terminal.

German Smaller net assets rise

Undiluted net asset value per ordinary share of the German Smaller Companies Investment Trust stood at 236.8p at end-September. That compared with 213.6p 12 months earlier and with 229.4p at the March 31 year-end.

Available revenue for the half year to September 30 declined from £448,000 to £303,000, equal to earnings of 1.69p (2.49p). The trust does not pay interim dividends but intends to recommend a final – 2p was paid previously.

German Investment assets improve

Net asset value per ordinary share of the German Investment Trust rose from 79.5p to 109.4p over the 12 months ended September 30. At the March 31 year-end the figure was 94.2p.

Net revenue for the six months to end-September came to £137,000 (£253,000), for earnings of 0.35p (0.65p).

First Ireland Investment ahead

First Ireland Investment Company reported an 8.5 per cent net asset value rise in sterling terms in the six months to September 30. In Irish currency, the advance was 14.1 per cent.

Since March, 1990, when dealings in the company started, net asset value has increased by 10 per cent in sterling terms and by 11.6 per cent in Irish pounds. The Irish Stock Exchange Index declined by 4.1 per cent over the same period.

Net asset value was 1.0614p (0.9779p at March 31) and in Irish terms 1.1111p (0.974p).

Net revenue for the six months dropped from £333,000 to £215,000, and fully diluted earnings per share came to 0.6p (0.93p).

Rathbone acquires unit trusts

Rathbone Brothers, the quoted private client banking and asset management concern, is to acquire the management and operation of two unit trusts from Brown Shipley. They are Brown Shipley Smaller Companies Fund and the Brown Shipley Recovery Fund.

The two funds are to be renamed the Evermore Smaller Companies Fund and the Evermore Recovery Fund and Patrick Evershed will continue as investment manager for both.

The funds are currently valued at £5.25m and £4.5m respectively.

Charles Sidney allocations

The offer for shares in Charles Sidney, the Mercedes-Benz dealer, was 2.7 times subscribed with valid applications received for 27.12m shares in respect of the 10m on offer.

On October 27 last, a further 13.64m shares were placed with institutional and other investors by Panmure Gordon.

Valid applications from employees and directors of Sidney in respect of 374,850 shares were met in full. Shares have been allocated in respect of the balance as follows:

Up to 750 shares - in full; between 1,000 and 3,000 shares - 50 per cent with minimum of 750 shares; 3,500 to 12,500 - 40 per cent with minimum of 1,500 shares; 13,000 to 50,000 - 30 per cent with minimum of 5,000 shares; 52,500 to 100,000 - 20 per cent with minimum of 15,000 shares; above 100,000 - 10 per cent with minimum of 20,000 shares.

P&O enhanced scrip alternative is 565p

Peninsular and Oriental Steam Navigation Company has announced that the reference price in respect of the enhanced scrip dividend alternative is 565p.

The directors pointed out that this would result in the allotment and issue of some £33.2m nominal of new deferred stock, representing an increase of 5.9 per cent in the company's existing issued deferred stock.

J Smart shows 38% decline to £2m

With a second half not dissimilar to the first six months, profits of J Smart & Co (Contractors) for the year to July 31 worked through at £2.04m pre-tax.

That was a 38 per cent shortfall on last time's £3.29m and was scored from a turnover some £1.2m lower at £12.8m.

Earnings emerged at 13.26p (22.08p) and a proposed final dividend of 6.2p makes an unchanged 8.5p total.

Finsbury Trust net asset value ahead

Finsbury Trust, the investment trust which invests in special situations with the intention of adding value over the medium to longer term, had a net asset value per share of 152.1p at September 30 against 101.6p a year earlier.

For the six month period, net revenue improved to £580,000 (£485,000) for earnings of 2.4p (2p) per share.

The interim dividend is held at 1.2p.

Correction

Kitty Little

Kitty Little Group has acquired Samco, the sunglasses maker, for £2 plus the settlement of a loan not expected to exceed the sum of £850,000.

In yesterday's edition the consideration was reported as being up to £2.85m.

COMPANY NEWS: UK

WPP agrees sale of US agency for $55.5m

By Diane Summers, Marketing Correspondent

WPP, the heavily-indebted marketing services group, announced yesterday that it had agreed the sale for $55.5m (£36.70m) of its 80 per cent stake in Scali, McCabe, Sloves, the New York-based advertising agency group.

The sale is to The Lowe Group, a subsidiary of Interpublic, the US marketing group.

The deal, which had been expected for some time, excludes Scali's operations in Brazil, the Netherlands and Germany. It also excludes Fallon McElligott, the US agency, for which WPP obtained $14.6m following a management buy-out last month, and some New York property interests.

As part of the latest sale, a total of $34.9m will be paid in cash to WPP and a further $8m will be phased in payments over two years. Assumption of liabilities will total $12.6m.

In the half year to June 30 WPP's average net debt was £372m. As well as the sale of its 64 per cent interest in Fallon in October, WPP recently sold Seiniger Advertising, the Los Angeles-based producer of marketing campaigns for films, for $6.9m.

No further divestment is expected in the immediate future; longer term, WPP has said it is considering the flotation of the group's market research activities and operations in south-east Asia.

Scali was acquired by WPP in 1989 as part of the Ogilvy group and from that time it has been known that the agency was for sale.

The part of the operation that comes under the current deal had billings of more than $550m in 1992, generated revenues of $73m and recorded a net pre-tax loss of $2.8m.

Analysts had expected the sale of Scali to raise between $50m and $70m. Given that WPP had already sold its interest in Fallon, which was 80 per cent owned by Scali, for $14.6m, the total sale price is seen as being at the top end of the scale.

The Lowe Group said that the acquisition would more than double the size of its North American operation.

Mr Marvin Sloves, currently Scali chairman, will join the Lowe Group board as vice chairman.

Man United defeat hits shares

SHARES IN Manchester United tumbled 52p to 527p yesterday in the wake of the English Premier League champions' elimination from the European Champions Cup. They recovered to 545p at the close.

The defeat – over two legs and on the away goals rule – at the hands of Galatasaray, the Turkish champions, meant that the UK club failed to qualify for the lucrative mini-league stage of the competition. United would automatically have accrued some £1.27m for qualifying to this later play-off stage and then television fees and gate receipts could have brought in a further £4m.

In the year to July 31, United lifted profits before transfer fees from £7.68m to £8.19m. Touche Ross estimated that the aggregate value of the first team squad rose to £30m (£24m).

The club currently leads England's senior league by 11 points.

Westbury 45% up at £3.7m as house sales rise

By Paul Taylor

WESTBURY, the Cheltenham-based housebuilder, yesterday announced a 45 per cent increase in pre-tax profits to £3.7m in the six months to August 31 compared with £2.56m.

Earnings per share increased more modestly to 3.7p (3.5p) reflecting the exceptional tax credit which significantly reduced the tax charge in 1992. The interim dividend is maintained at 1.75p.

Turnover in the first half increased by 8 per cent to £70m (£64.5m), buoyed by higher house sales which grew to 1,201 compared with 1,115 in the first half last year.

The average selling price in the group's core private housebuilding activities was £58,628, down 1 per cent from a year earlier, even though prices in the market as a whole fell by about 4 per cent.

Westbury managed to offset the decline by changing its product mix and reducing the proportion of first-time buyer homes from 80 per cent to 70 per cent of the total.

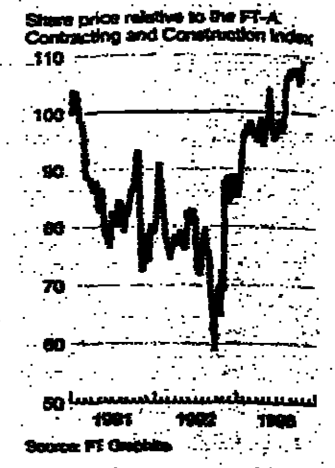
Mr Richard Fraser, chief executive, said house prices appear to have stabilised in June. "They are not going up, and they are not going down," he said.

Nevertheless, he said sales incentive discounts had fallen marginally, from £2,800 to £2,350 a house.

The operating margin on house sales for the period was 6.2 per cent, in line with a year ago but a significant increase over the 5 per cent achieved in the six months to the end of February.

Westbury

Share price relative to the FT-A Contracting and Construction Index



Source: FT Graphite

Operating profits increased from £3.63m to £4.2m more than offsetting an increase in losses from the group's interests in associated undertakings which climbed to £642,000 (£493,000).

Pre-tax profits also benefited from the turnround from £583,000 in net interest costs to net interest receipts of £145,000.

During the six months Westbury acquired over 1,200 plots boosting its land bank to 6,050 against 5,850 at the year end.

Mr Fraser said there was no general increase in land prices although there was upward presure in some areas.

The group ended August with net borrowings of £4.2m, down from £7.4m at the year end, equivalent to gearing of 4 per cent.

Glynwed disposes of lossmaking US arm

By Paul Cheeseright, Midlands Correspondent

GLYNWED, the international engineering group, has sold its lossmaking US metals distribution business for $15.4m (£10.9m) and expects its 1993 pre-tax profits to be £2m higher as a result.

The buyer is Samuel, Son and Co of Mississauga, Ontario, one of the biggest metals distributors in North America and the company which bought Glynwed's Canadian distribution business in 1991.

For Glynwed, the US metals distribution business has always been peripheral to its main interests.

The companies it is selling came with Amari when it was acquired in 1988. But it is selling the assets at less than their book value of $18.6m.

Ultimately Glynwed should receive about $20m, given that it is retaining business debtors and there is a formula which, should Samuel's return on the assets exceed a certain percentage over the next three years, it will pay Glynwed additional sums.

For each of the last two years the businesses Glynwed has sold have lost about £2m.

Towry Law to join market with £29m tag

TOWRY LAW, one of the UK's largest independent financial intermediaries, is to seek a listing by way of a placing of 4.92m ordinary shares, equivalent to 32.2 per cent of its equity, which will value the company at £29m.

The placing will be at a price of 190p per share, which represents an historic p/e of 18.6. No new shares are being placed as part of the arrangement.

After the listing, the directors will in total own 36.3 per cent of the shares. The holding of Mr Cecil Law, Towry's chairman and founder, together with his family interests, will be reduced from 51.7 per cent to 41.7 per cent.

For the year ended June 30, Towry Law reported a pre-tax profit of £2.43m (£2.07m).

Brokers to the issue are James Capel & Co.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the sub-divisions shown below are based mainly on last year's timetables.

TODAY

Interims- Adam & Harvey, Banner Homes, Bada, Bula Resources, Burtonwood, Capital Gearing, Cook (William), Frowing, Southnews.
Finals- Tottenham Hotspur, Gartmore European

FUTURE DATES

Interims-	
Bristol Evening Post	Nov 25
Christie Group	Nov 10
Courtaulds	Nov 17
De La Rue	Nov 16
Electrocomponents	Nov 30
Great Portland Estates	Nov 5
Meddor	Nov 10
Northern Electric	Dec 1
Scapa	Dec 2
Storehouse	Nov 16

Wilson Bowden seeks £57m to acquire land

By Andrew Taylor, Construction Correspondent

WILSON BOWDEN yesterday became the sixth UK housebuilder this year to announce a rights issue. It is raising £57.1m to buy land to take advantage of the housing market recovery.

This will take the total raised by housebuilders to £470m in the first 10 months of the year. This includes £215m from Tarmac and £104m from Wimpey. Four of the companies, Wilson Bowden, Countryside Properties, Berkeley Group and Bellway, also had rights issues in 1991.

In its latest offer, Wilson Bowden is inviting shareholders to buy one new share at 375p for every five shares already held.

The company's share price slid by 8p to 439p following the announcement.

The family interests of Mr David Wilson, chairman, which own 57.5 per cent have placed their nil paid rights at 32.2p a share which will reduce their holdings to 48.6 per cent.

The latest offer price is only 15p less than the 1991 rights price of 360p, when the company raised £34.1m in a 1-for-7 issue.

Since then the company has raised output from 1,300 homes a year to about 1,800 homes this year. The number of housing plots it owns, available for development, has also risen from 8,000 to more than 10,000.

Mr Wilson said that the company planned to increase output further to 2,500 homes a year by 1995-96. The rights issue cash would be used to help fund the expansion.

In particular, the company wanted "to take advantage of £30m of land buying opportunities already identified." It was becoming increasingly difficult to win planning permissions for building and therefore opportunities to acquire development land should not be missed.

Housing rights issues so far in 1993

Company	£m	Date
Wilson Bowden	57.1	Nov 4
Tarmac	215	Sept 21
Wimpey	104	June 10
Countryside	16.8	May 26
Berkeley	44.1	March 4
Bellway	33.6	Feb 18

Mr Wilson said: "Although economic recovery in the UK remains hesitant, positive features are beginning to appear in the housing market."

The company had completed 1,471 homes in the first ten months of this year compared with 1,060 at the corresponding stage last year – a rise of 39 per cent. After allowing for first time gains from new sites the underlying volume sales improvement was probably between 15 to 20 per cent, said Mr Wilson.

He added that new house prices had stopped falling, although they had still to start rising. The group was operating from 77 housing sites in 25 English counties and sales outside its East Midlands base now accounted for half of all housebuilding profits.

The company intends to recommend a final net dividend for of 6.65p making a total for this year of 9.3p, an increase of 6.3 per cent. The rights issue has been underwritten by Schroders and brokers are James Capel.

● **COMMENT**

That Wilson Bowden shareholders will most likely take up their rights on a slim 15 per cent discount to an ex-rights price of 433p illustrates the strength of a company which has consistently out-performed the sector. Its strength is its long land bank which is about to grow again. The cash call, given gearing is under 25 per cent, may be a little opportunistic but the money, as in the 1991 rights, will be used to buy assets rather than simply strengthen balance sheets as housebuilders did two years ago. Pre-tax profits this year including a £5m pension fund credit should be about £30m. The company deserves its reputation as one of the best in the sector.

Bellway at £28m on the back of rising house sales

By Andrew Taylor, Construction Correspondent

PRE-TAX profits of Bellway, the north-east-based housebuilder, jumped 28 per cent to £16.73m during the 12 months to the end of July.

The company was helped by a rise in sales to private house owners and to housing associations which this year have benefited from increased government aid.

Turnover rose by 13 per cent to £147.16m on the back of a record 2,299 house sales, a rise of almost a quarter on the 1,841 sold the previous year.

Mr Kenneth Bell, chairman, said the company proposed to increase its final dividend by 0.5p to 8p, in line with the forecast made when it raised £33.6m in a 2-for-7 rights issue in February. That makes a 12p (11.5p) total.

To improve the marketability of its shares Bellway is recommending that the 25p ordinary shares be split into 12.5p units "to double the number of shares in issue."

Mr Bell said operating margins during the 12 months had risen by almost a fifth, from 8.3 per cent to 9.9 per cent, reflecting the benefit of higher sales volume and also the replacement of more expensively bought land which had been acquired during the late 1980s. The company's share price slipped 2p to 455p following the results. This compares with an issue price of 320p at the time of the rights offer.

The group intends to use its improved financial muscle – it had net cash of £44m at the end of July – to expand sales. Since the summer it has committed a further £30m on land acquisitions. The number of plots owned by the group with planning permission has risen from 5,500 since July 1991 to about 10,000 currently.

The number of sites from which the group sells has risen from about 100 to 120.

● **COMMENT**

Bellway, like Wilson Bowden, has used rights issue cash raised in 1991 and again this year to finance expansion. Sales are planned to rise to 4,000 a year in England and in Scotland by the mid-1990s. Any short-fall on housing association work in the current year should be more than made up in improved private sector sales as the number of sites the group operates from continues to expand. Margins are on the mend and should improve further as the housing market recovers. The balance sheet also is in good shape. Bellway deserves its premium rating with pre-tax profits likely to reach £22m to £23m in 1993-94 but its strengths are already recognised in the share price.

Caverdale buys motor dealership

Caverdale Group, the motor and industrial consumables group, is buying JJ Leadley, a motor dealership group based in the Midlands, for a maximum £1.65m. Consideration is satisfied as to £1.5m by the issue of 10m new Caverdale ordinary at 15p each, and a maximum £150,000 in cash.

More funds for Lloyd's

By Richard Lapper

SYNDICATE Capital Trust, the Lloyd's investment vehicle sponsored by Rafael Zorn Hemsley, the stockbrokers, yesterday became the fourth Lloyd's investment company to raise capital from institutional investors this week.

In the last two weeks institutional investors have committed more than £500m in corporate capital allowing the insurance market to underwrite an additional £1bn in insurance premiums next year. Two other trusts plan formal launches today, raising a further £80m in funds.

Rafael Zorn Hemsley placed £32.5m of shares in Syndicate Capital Trust, with institutions and was seeking to raise a further £17.5m through an open offer for subscription. SCT has secured some £60m of capacity on 15 Lloyd's syndicates. The trust's capital will be managed by John Govett.

Abtrust, the Abderdeen based fund management company, expects today to publish full listing particulars for Abtrust Lloyd's Insurance Trust. A £30m placing and intermediaries offer is to be handled by Peel Hunt, the stockbrokers. The trust has £30m in allocated capacity.

Delian Lloyd's Investment Trust, sponsored by Hill Samuel, also expects to complete a placing with institutions to raise up to £50m in capital today.

Meanwhile two other trusts both published pathfinders yesterday. Nelson Lloyd's Trust, yesterday issued a pathfinder prospectus. It plans to raise £60m through a placement and offer for subscription and will provide £113m in capacity for Lloyd's syndicates.

Premium Trust and Premium Underwriting also issued a pathfinder and said it had raised its capital raising target by 10 per cent to £33m.

Warning clips FNFC shares

By Alison Smith

FIRST NATIONAL Finance Corporation, the consumer credit group, said yesterday that it expected losses in its commercial lending division to be "somewhat higher" for the 12 months to October 31 than for the previous year.

The shares reacted via an 11p fall to 75p.

Last time the commercial lending bank activity, FNCB, incurred a deficit of £19m. For the year just ended a loss of between £20m and £30m is expected.

The extent of the losses is seen as the result of continuing difficulties in the property market.

Along with the appointment of a new executive vice-chairman FNFC also announced that it had decided to underline the statement that accompanied its first half results in July that "further substantial provisions and losses" were expected in its commercial lending division and discontinued activities.

There had been concern within the company that the scale of the losses had not been fully appreciated by analysts.

Mr Tim Ingram, finance director, said the "clarification" of the earlier statement had no implications for FNFC's ability to fulfil the terms of the refinancing deal agreed in July for its £1.1bn debt owed to 107 international banks, and through which it narrowly avoided collapse.

The results for the year to October 31 1993 are due to be announced in January.

Hambro Insurance at £3.25m

By Richard Lapper

PROFITS at Hambro Insurance Services, the insurance services company which obtained a stock market listing in March, have been dented by a fall in the number of claims handled by the group's loss adjusting subsidiary.

For the six months to September 30 pre-tax profits fell to £3.25m (£4.02m). Earnings per share fell to 3.05p (4.25p) and the interim dividend is 1.85p.

Turnover in loss adjusting increased marginally to £18.91m (£18.89m), but profits fell from £1.82m to £372,000. The group's UK loss adjusting subsidiary, Cunningham UK, has handled an average of 4,600 claims a month, compared with 5,200 this time last year.

As a result, 46 of the loss adjusting staff have been made redundant, saving the group some £700,000.

Elsewhere, turnover at Hambro Legal Protection, which operates legal advice and other telephone helplines, increased by 17 per cent to £6.12m (£5.22m), with profits up to £2.09m (£1.62m).

The group's second hand endowment policy business also performed strongly, with turnover up 29 per cent to £8.08m (£6.25m) and profits up to £567,000 (£521,000). Profits at Berkeley Insurance, a special-ist broking consultancy, were also ahead of last year, rising to £71,000 (£58,000).

Interest receivable by holding company net of overheads amounted to £146,000.

EC lead-zinc producers ask for protection

By Kenneth Gooding, Mining Correspondent

PRESSURE IS building for the European Commission to take action to "safeguard" the Community's lead-zinc producers, who claim their survival is at risk from the strong surge in imports from the former eastern bloc countries.

Yesterday the German metals industry association added its voice to the debate. "Lead and zinc are being produced in the east under ecologically irresponsible conditions and then dumped on to EC markets. Producers here are having to shut modern, expensive and environmentally-sound plants and cut jobs," said Mr Rudolf Gabrisch, president.

The German call for action came only two days after EC zinc producers agreed to work out details of a scheme to permanently close one or two smelters to bring capacity more into line with demand.

While the producers seem united over the smelter "shut-down" scheme, there is a split about whether they should urge the Commission to restrict zinc imports from the former eastern bloc.

The Commission recently placed temporary restrictions on aluminium imports from the Commonwealth of Independent States and has started negotiations to persuade the CIS to limit exports in future. Some zinc producers are preparing a dossier in the hope that they can convince the Commission to take similar action on their behalf.

Other companies argue, however, that zinc is a commodity and restrictions on imports to the EC would have virtually no impact on the global availability of the metal.

The eastern bloc used to be a net importer of lead and zinc. But the International Lead & Zinc Study Group estimates that the region will export 140,000 tonnes of lead and 355,000 tonnes of zinc to the west this year.

Kazakhstan, a big producer, now directs lead exports to the west to earn dollars rather than to Russia where battery producers are reported to be short of what for them is an essential material.

The zinc market has been particularly hit by a reversal in Chinese trade: China imported about 300,000 tonnes a year in the mid-1980s but, after expansion of its domestic industry, now has about 100,000 tonnes to export.

Candidates to lead FAO stress reform

By Deborah Hargreaves

THE FOOD and Agriculture Organisation, the United Nations' biggest specialised agency, meets tomorrow to choose a successor to its director-general, Mr Edouard Saouma, who has held the post for 18 years.

Mr Saouma's leadership and in particular the FAO's bloated administrative budget have been widely criticised. Several countries channeling aid through the FAO – particularly the Nordic countries – have withheld funds because of their lack of confidence in his leadership.

The successful candidate will have a tough job re-establishing the organisation's credibility with its sponsors and most of the nine candidates are campaigning on a reform ticket.

The election comes as the FAO is predicting a 0.5 per cent decline in world agricultural production this year.

Front-runners stress their willingness to concentrate resources on tackling world hunger and environmental problems, while also shaking up the FAO administration.

Mr Geoffrey Miller, who until recently headed Australia's department of primary industries and energy, wants to send more officials out to work in the field rather than in the organisation's huge Rome headquarters, where some 3,000 of the FAO's 5,289 staff are employed.

The other two leading contenders come from within the FAO's ranks. Chile's Mr Rafael Moreno is currently assistant director-general and has gained support from most Latin American countries. He highlights the need to tie environmental legislation more closely to the FAO's projects.

Mr Maharaj Muthoo from India has been director of the FAO's forestry operations for the past 14 years. He stresses the need to tackle hunger in Africa as a top priority.

US aluminium industry looks to Clinton

Producers argue western aid should be used to encourage the CIS to cut exports, writes Kenneth Gooding

They say that President Clinton understands the economics of the aluminium industry very well. In the early 1980s, as governor of Arkansas, he pleaded with Reynolds Metals, second-largest of the US aluminium producers, not to close both the smelters in his state. But the smelters – Jones Mills and the Patterson – had been made completely uneconomic by the steep rise in energy costs and were permanently shut down in 1985 despite his pleas.

Reynolds closed two other smelters at about the same time, the San Patricio in Texas and Listerhill in Alabama, taking a total of 462,000 tonnes of high-cost US capacity out of production.

Mr Richard Holder, now chairman of Reynolds, remembers those difficult meetings with the president-to-be. He feels sure Mr Clinton remembers them too and this will stand the US aluminium industry in good stead in its current fight for survival and the efforts it is making to prevent itself being burried under a deluge of metal exported from the Commonwealth of Independent States.

However, the US Aluminium Association, where Mr Holder is also currently chairman, will have to work hard to educate some of Mr Clinton's officials in the ways of the industry before December 2, when crucial meetings with government representatives from the CIS and the western world's other big aluminium producing countries take place in Washington.

Senior aluminium industry executives have been invited to sit in at those talks as advisers to the US government. Before the December meeting the US association will put to its government a plan which will almost certainly suggest that the CIS producers be encouraged to cut output in return for financial and technical help from western countries.

Some of the aid the US is ready to give to the CIS to help smooth its path towards a market economy should be linked specifically with programmes to modernise the former Soviet Union's heavily-polluting aluminium smelters, Mr Holder suggests.

He says that, if the industry's proposals are accepted by government officials, he would be very surprised if they did not go to the president's desk for a final decision.

There is little more the US industry can do to help itself except close a great deal more production capacity at the cost of many more jobs. US anti-trust legislation makes it virtually impossible for the country's aluminium producers to get involved in joint discussions about actions that might lead to the production cuts needed for higher prices.

This is why the US industry must rely on its government to do the talking and, if necessary, take action to stem CIS exports. Convincing the government will not be easy, given that the US places the highest priority on supporting the political changes taking place in Russia and would not want to disturb those changes by heavy-handed action in the aluminium sector, which analysts reckon has been earning the CIS $1bn to $1.5bn a year in foreign currency.

Mr Holder says something must be done because there has been yet another surge in CIS exports to the west this year – exports that were running at 200,000 tonnes in 1990 are likely to reach 1.8m tonnes in 1993, according to his association's estimates. This compares with western consumption of about 15m tonnes.

This helped to drive stocks on the London Metal Exchange to a record 2.3m tonnes and prices to their lowest-ever level in real terms, so that most smelters are not even covering their cash costs of production. Mr Holder says: "I believe CIS exports have cut 10 to 15 cents a lb off the aluminium price."

If the price continues to drift down to 45 cents a lb, described by some analysts as "a crisis level", there will be big casualties and "I'm afraid that some of the companies that will suffer do not deserve to suffer".

The western industry must find a formula to persuade the CIS producers to cut exports, he suggests, and the only sure way that can be done is for output at the smelters to be reduced.

Some ideas have already been contributed by individual members of his association in response to a US government's request. One suggestion is that work should begin immediately to modernise some of the CIS smelters, doing away with the out-dated Söderberg technology, which would take about one-third of the capacity of each plant selected for upgrading temporarily out of production. This idea is put forward by Alumax, a subsidiary of Amax and the US's third-largest aluminium producer.

Alumax says the upgrading would take five years, during which the aluminium industry's situation would improve markedly and "thus allow for the orderly re-introduction to western markets of Russia's exportable surplus aluminium. It would be, essentially, a new, efficient and environmentally acceptable source of supply."

Alumax suggests the first smelters to be dealt with should be the biggest and the worst polluters: those at Bratsk and Krasnoyarsk in south central Siberia. It points to a Metallgesellschaft study which indicates that these two plants alone emit more than 24 times the maximum safe levels of fluorine.

Irkutsk, in the same general area, is also a prime candidate, according to Alumax, because it is near Lake Baikal, a sensitive environmental area. The Volgograd smelter to the west should also be modernised.

The US group proposes that output at three old, highly-polluting smelters near the Kola Peninsula, on Finland's border, be cut by half but they should not be upgraded.

All this would take about 600,000 tonnes a year out of production, it calculates. "This, together with strong controls on legal and black market exports, would improve fundamentals of the world aluminium market significantly within 18 months to two years."

The big difficulty with this approach is the cost of upgrading the smelters – up to $6bn. Alumax says, however, these projects could be financed via government-to-government aid, supplemented by the expertise of various western aluminium producers. Repayment could be in the form of aluminium for government aid assistance, and in either aluminium or equity shares for participating western producers.

Kaiser Aluminium, in its proposals to Mr Mickey Kantor, the US trade representative, suggests that CIS aluminium exports be restricted to 800,000 tonnes a year – 520,000 tonnes to pay for the CIS industry's imports of essential raw materials and 280,000 tonnes to be held in trust in secure western warehouses. This metal would be used to pay for priority projects to improve environmental, health and safety standards.

Kaiser says that because of the time taken for modernisation, on average this metal in western warehouses will be off the open market for two years from the start of each programme year.

In addition, warehoused metal could be used as collateral for money borrowed by the CIS smelters to cover part of the rouble production costs of the metal held off the market. Loans could run for three or four years and would be repaid from the sale of metal remaining after payment for capital projects.

Financing could be supplied by private international banks or trading companies or, more likely, provided or guaranteed by individual governments, or it could be arranged through one of the multilateral financial institutions.

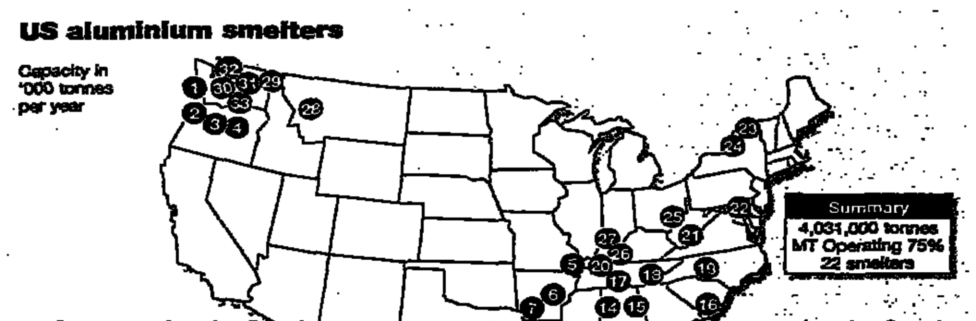
Mr Bond Evans, Alumax president, says the western industry has cut output substantially already and, in spite of the recession, demand for aluminium has held up remarkably well. The western market would be in balance were it not for CIS exports.

This metal is available because of the virtual collapse in domestic demand in the CIS. Mr Evans says this makes it logical for the next production cuts to be made in the CIS but, more importantly, "it is senseless to shut efficient, clean plants in the west to make way for inefficient, polluting plants in the CIS."

He suggests the logic is so compelling that the multilateral government efforts now under way will result in a logical outcome – cuts in CIS production – in a few months time. "Otherwise it will be Darwinism inverted – the strong will go to the wall and the weak will survive."

US aluminium smelters

Capacity in '000 tonnes per year



	Company	Location	Capacity
1	Reynolds*	Longview	204
2	Vanalco	Vancouver	115
3	Reynolds*	Troutdale	121
4	Northwest Al	The Dalles	82
5	Noranda	New Madrid	204
6	Reynolds	Jones Mill	125
7	Reynolds	Arkadelphia	68
8	Alcoa	Anderson Cty	15
9	Alcoa*	Rockdale	320
10	Reynolds	Lake Charles	36
11	Alcoa	Pt Comfort	159
12	Reynolds	Corp. Christi	114
13	Kaiser	Chalmette	260
14	Reynolds	Listerhill	183
15	Revere	Scottsboro	117
16	Alumax*	Mt Holley	182
17	Consolidated*°	N Johnsonville	146
18	Alcoa*	Alcoa, Tenn	205
19	Alcoa*	Badin	115
20	Alcan	Sebree	180
21	Ravenswood	Ravenswood	165
22	Alumax*	E Frederick	174
23	Alcoa	Massena	125
24	Reynolds*	Massena	123
25	Ormet	Hannibal	250
26	N Southwire	Hawesville	165
27	Alcoa*	Warrick	300
28	Columbia F	Col. Falls	168
29	Kaiser Mead*	Mead	200
30	Kaiser Mead	Tacoma	74
31	Alcoa*	Wenatchee	220
32	Alumax Intal*	Ferndale	272
33	Columbia Alu*	Goldendale	280

Source: US Aluminum Association. *Plants at which production has, or will be, curtailed in 1993. °Closed

Retention scheme fears hit coffee price

By Deborah Hargreaves

COFFEE PRICES in London slipped by £17 a tonne yesterday to $1,216 a tonne for the second position futures contract at the London Commodity Exchange. Trading was lacklustre as buyers became nervous about the small amount of purchases made by Brazil on Wednesday when the coffee producers' retention scheme came into force.

Brazil is co-ordinating buying on behalf of the world's main producers, who want to boost prices by holding back supplies. Brasilia has said it wants to purchase 200,000 bags of coffee, but it only picked up 1,750 in its first foray into the market on Wednesday.

Market traders say producers will have to pay higher prices for the retention scheme to succeed. Traders will be watching Brazil's moves today when it makes its next purchases.

"If the Brazilians only buy 1,750 bags again, the market will fall on Monday, but it could buy, say 50,000 bags, and we'd see a complete reversal," one trader said.

Producers are hoping they will erode stocks in consuming countries by holding back supplies. Stocks in the US – the world's largest consuming nation – have been drawn down in the past two months as the market enters the peak consumption period of the northern hemisphere's winter.

Comex rally pushes gold to $372.50

By Kenneth Gooding

GOLD PRICES rallied strongly yesterday and closed in London last night at $372.50 a troy ounce, up $8.05.

Traders said the move was started by investment funds on the New York Commodity Exchange but activity in London was negligible. The rally was helped by rumours – not widely believed – that the high-profile investor Mr George Soros was selling bonds and buying gold.

"The bond market is weak and that is helpful to gold. But the rally was technically based and there was no fundamental news to move the market," said one dealer.

Ms Rhona O'Connell, in a special report for stockbrokers T Hoare & Co, suggests gold's price will average $360 an ounce this year, "only 5 per cent up on 1992 – but not a bad performance after hitting a low of $326 in March". Ms O'Connell looks for an average of $390 next year and $420 in 1995.

She suggests demand for physical gold in jewellery in the western world, after falling from 2,270 tonnes in 1992 to 2,030 tonnes this year, will recover by 1995 as the developed economies pull out of recession. Also, Russian production and exports are falling; forward selling by producers has recently been noticeably absent and she expects central bank selling to be more muted.

WORLD COMMODITIES PRICES

MARKET REPORT

London Metal Exchange **COPPER** prices were buoyed up yesterday by market talk, confirmed after the close, of a *force majeure* at the Ok Tedi mine in Papua New Guinea. Traders said sizeable orders came from both sides of the market during a busy afternoon session and three-month copper closed at $1,649.75 a tonne, up $7. Ok Tedi produces about 200,000 tonnes a year of copper in concentrates but has had difficulty shipping cargoes since August because of low water levels in the Fly River. "All important customers will have been aware of the situation for a while. It could cause a bit of a squeeze on smelters, but buyers have had time to take action," said one trader. World **OIL** prices held much of the gain made in an explosive rally earlier this week. December futures for the world benchmark Brent Blend of crude oil traded late in London's afternoon around $16.15 per barrel. This was down from Wednesday's closing $16.22 but comfortably above $15.60, the low from which the Wednesday rally began. **SILVER** closed in London up 17 cents at $4.415 an ounce and **PLATINUM** gained $6.35 an ounce to $375.

Compiled from Reuters

London Markets

SPOT MARKETS

Crude oil (per barrel FOB)(Dec)		+ or -
Dubai	$14.45-4.50u	-.095
Brent Blend (dated)	$15.78-5.80	-0.11
Brent Blend (Dec)	$16.12-6.14	-0.11
W.T.I (1 pm est)	$17.36-7.38u	-0.13
Oil products (NWE prompt delivery per tonne CIF)		+ or -
Premium Gasoline	$178-180	-0.5
Gas Oil	$168-169	-1
Heavy Fuel Oil	$66-68	+2
Naphtha	$151-154	
Petroleum Argus Estimates		
Other		+ or -
Gold (per troy oz)♣	$372.50	+8.05
Silver (per troy oz)♣	441.5c	+17.0
Platinum (per troy oz)	$375.00	+6.35
Palladium (per troy oz)	$130.40	+3.00
Copper (US Producer)	85.0c	
Lead (US Producer)	33.50c	
Tin (Kuala Lumpur market)	11.98r	-0.22
Tin (New York)	218.25c	-1.75
Zinc (US Prime Western)	Unq	
Cattle (live weight)†	N/A	
Sheep (live weight)†♦	N/A	
Pigs (live weight)†	N/A	
London daily sugar (raw)	$267.60	+2.40
London daily sugar (white)	$287.00	+2.00
Tate and Lyle export price	$292.00	+1.00
Barley (English feed)	£109.5t	
Maize (US No. 3 yellow)	£120.5	
Wheat (US Dark Northern)	£168.0	
Rubber (Dec)♥	61.25p	
Rubber (Jan)♥	61.50p	
Rubber (KL RSS No 1 Jul)	208.5m	+0.5
Coconut oil (Philippines)§	$437.5w	+2.5
Palm Oil (Malaysian)§	$350.0u	+7.5
Copra (Philippines)§	$295.0	+5.0
Soyabeans (US)	£187.0w	+1.0
Cotton "A" index	54.45c	-0.05
Wooltops (64s Super)	361p	+3

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. z-Nov y-Jan/Feb u-Dec t-Jan/Mar w-Nov/Dec ¶London physical. §CIF Rotterdam. ♣ Bullion market close. m-Malaysian cents/kg. ♦Sheep prices are now live weight prices. ♥ change from a week ago, provisional prices.

CRUDE OIL – IPE $/barrel

	Latest	Previous	High/Low	
Dec	16.12	16.22	16.35	16.05
Jan	16.34	16.45	16.45	16.29
Feb	16.52	16.67	16.60	16.48
Mar	16.67	16.80	16.73	16.63
Apr	16.78	16.88	16.80	16.75
May	16.90	16.98	16.92	16.90
Jun	17.03	17.05	17.04	16.95
Jul	17.06	17.10	17.06	
IPE Index	16.94	16.16		

Turnover 23512 (55061)

GAS OIL – IPE $/tonne

	Close	Previous	High/Low	
Nov	163.75	164.50	165.00	163.50
Dec	164.00	164.75	165.50	163.00
Jan	163.75	164.50	164.75	162.75
Feb	163.00	163.75	163.75	162.00
Mar	162.25	162.75	163.00	161.50
Apr	161.25	161.00	161.25	160.75
May	159.50	160.25	160.50	159.25
Jun	158.75	160.50	160.00	159.50
Jul	161.50	162.00	161.50	
Aug	163.00	163.50	163.50	162.60

Turnover 15330 (22102) lots of 100 tonnes

SUGAR – LCE ($ per tonne)

White	Close	Previous	High/Low	
Dec	290.60	285.60	290.60	284.50
Mar	287.50	282.80	288.00	282.00
May	289.20	284.60	289.20	283.60
Aug	288.00	287.80	288.00	286.60
Oct	279.50	276.70	279.50	275.00
Mar	280.70	281.50	280.70	

Turnover 1889 (1318) Paris- White (FFr per tonne): Dec 1699.43 Mar 1700.27

FRUIT AND VEGETABLES
Outspan oranges are this week's best fruit buy, reports FFVIB. Outspan Valencias are 10-25p each (15-30p) and the smaller Velencia Lates are new in, also at 10-25p each. Spanis pomegranates are another good buy at 15-25p each (15-25p). English and Dutch cauliflowers are available for 40-65p each (40-75p), depending on size. English Brussels sprouts are currently 20-40p a lb (20-35p). Cabbages are good value; English and Dutch white cabbages are 15-25p a lb (20-30p), and English Spring Greens are 14-30p a lb. English watercress is 35-45p a bunch or pre-packed (35-45p), making it this week's best salad buy.

No.7 RAW SUGAR - LCE (cents/lbs)

	Close	Previous	High/Low	
Mar	11.08	10.77	11.11	10.77
May	11.27	10.98	11.27	11.00
Jul	11.56		11.57	11.28

Turnover 1207 (57) lots of 50 tonnes.

COCOA – LCE £/tonne

	Close	Previous	High/Low	
Dec	891	913	908	887
Mar	930	948	943	925
May	938	954	950	933
Jul	940	954	949	937
Sep	940	956	951	937
Dec	927	941	935	925
Mar	929	940	938	924
May	931	943	938	930
Sep	934	946	940	935

Turnover: 10014 (5975)lots of 10 tonnes
ICCO indicator prices (SDRs per tonne). Daily price for Nov 3 902.86 (911.11) 10 day average for Nov 4 922.58 (925.14)

COFFEE – LCE $/tonne

	Close	Previous	High/Low	
Nov	1200	1216	1209	1194
Jan	1216	1233	1225	1209
Mar	1200	1211	1205	1194
May	1190	1205	1200	1188

Turnover: 2605 (2703) lots of 5 tonnes
ICO indicator prices (US cents per pound) for Nov 3 Comp. daily 70.43 (70.16) 15 day average 68.94 (68.68)

POTATOES – LCE £/tonne

	Close	Previous	High/Low	
Apr	83.1	84.0	84.0	83.0
May	97.9	98.4	99.0	98.2

Turnover 51 (99) lots of 20 tonnes.

FREIGHT – LCE $10/index point

	Close	Previous	High/Low	
Nov	1319	1345	1340	1318
Dec	1320	1350	1350	1320
Jan	1330	1360	1355	1330
Apr	1330	1358	1365	1330
Jul	1206	1223	1205	
Oct	1353	1388	1385	1380
BFI	1314	1317		

Turnover 170 (87)

GRAINS – LCE £/tonne

Wheat	Close	Previous	High/Low	
Nov	96.10	95.85	95.40	95.40
Jan	98.20	97.90	98.20	97.65
Mar	100.20	99.85	99.95	99.50
May	102.30	101.95	102.30	101.45
Jun	103.35	103.20	102.80	102.70
Sep	91.70		92.00	
Barley	**Close**	**Previous**	**High/Low**	
Nov	99.75	99.50	99.50	
Jan	102.40		102.25	
May	106.50		106.50	

Turnover: Wheat 233 (488) Barley 29 (411)
Turnover lots of 100 Tonnes.

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)

	Close	Previous	High/Low	AM Official	Kerb close	Open Interest
Aluminium, 99.7% purity ($ per tonne)						Total daily turnover 38,299 lots
Cash	1038.5-9.5	1025.5-6.5		1027-8		
3 months	1059.5-60	1047-8	1065/1047	1048.5-9	1061-2	246,303 lots
Copper, Grade A ($ per tonne)						Total daily turnover 57,210 lots
Cash	1627.5-8.5	1620-1	1612	1611.5-2		
3 months	1649.5-50	1642.5-3	1651/1634	1634-4.5	1649.5-50	189,987 lots
Lead ($ per tonne)						Total daily turnover 3,581 lots
Cash	393-4	392-3	391	390-1		
3 months	407-7.5	405-7	411/404	404-4.5	410-1	24,613 lots
Nickel ($ per tonne)						Total daily turnover 6,971 lots
Cash	4665-70	4575-85		4610-5		
3 months	4720-5	4630-40	4730/4650	4665-7	4680-70	44,162 lots
Tin ($ per tonne)						Total daily turnover 1,829 lots
Cash	4720-30	4730-5	4700	4695-700		
3 months	4770-80	4780-5	4770/4745	4740-5	4750-60	13,476 lots
Zinc, Special High Grade ($ per tonne)						Total daily turnover 19,607 lots
Cash	936-7	928.5-9.5	929.5/929	929.5-30		
3 months	953-4	946-7	955/939	946.5-7	951-2	84,196 lots

LME Closing £/$ rate: SPOT: 1.4790 3 months: 1.4713 6 months: 1.4639 9 months: 1.4585

LME AM Official £/$ spot rate 1.4816

LONDON BULLION MARKET (Prices supplied by N M Rothschild)

Gold (troy oz)	$ price	£ equivalent
Close	372.25-372.75	
Opening	367.70-368.10	
Morning fix	369.10	249.055
Afternoon fix	372.00	251.268
Day's high	373.25-373.75	
Day's low	367.70-368.10	

Loco Ldn Mean Gold Lending Rates (Vs US$)

1 month	2.70	6 months	2.69
2 months	2.70	12 months	2.69
3 months	2.69		

Silver fix	p/troy oz	US cts equiv
Spot	295.45	438.15
3 months	299.40	441.60
6 months	303.25	445.35
12 months	310.70	453.25

GOLD COINS

	$ price	£ equivalent
Krugerrand	372.00-375.00	251.00-254.00
Maple leaf	383.45-385.85	-
New Sovereign	86.00-89.00	58.00-61.00

TRADED OPTIONS

Aluminium (99.7%)	Calls		Puts	
Strike price $ tonne	Dec	Mar	Dec	Mar
1025	45	61	11	16
1050	29	45	21	23
1075	18	32	34	35
Copper (Grade A)	**Calls**		**Puts**	
1625	49	71	28	37
1650	36	57	40	48
1675	26	46	54	60
Coffee LCE	**Jan**	**Mar**	**Jan**	**Mar**
1150	95	114	29	64
1200	65	89	49	89
1250	43	69	77	119
Cocoa LCE	**Dec**	**Mar**	**Dec**	**Mar**
875	32	86	16	31
900	19	71	28	41
925	11	50	45	45
Brent Crude	**Dec**	**Jan**	**Dec**	**Jan**
1600	30	74	18	38
1650	10	45	49	60
1700	2	26	-	-

New York

GOLD 100 troy oz.; $/troy oz.

	Close	Previous	High/Low	
Nov	367.2	367.2	0	0
Dec	372.3	368.0	374.5	371.0
Jan	373.4	368.9	0	0
Feb	374.3	369.8	376.3	373.0
Apr	376.1	371.5	377.5	374.2
Jun	377.0	373.3	379.2	376.8
Aug	379.7	375.1	380.8	380.8
Oct	381.6	377.0	0	0
Dec	383.5	378.9	384.5	383.8

PLATINUM 50 troy oz; $/troy oz.

	Close	Previous	High/Low	
Nov	363.0	363.0	0	0
Jan	375.8	374.2	379.0	375.0
Apr	377.3	378.0	380.0	377.0
Jul	378.3	377.0	381.0	379.5
Oct	379.8	378.5	0	0

SILVER 5,000 troy oz; cents/troy oz.

	Close	Previous	High/Low	
Nov	437.4	429.8	0	0
Dec	438.2	430.7	447.0	436.0
Jan	439.5	431.9	0	0
Mar	442.7	435.1	451.5	440.5
May	445.7	438.1	452.0	445.5
Jul	448.7	441.1	454.5	447.0
Sep	451.7	444.1	456.0	452.0
Dec	456.5	448.9	464.0	457.0
Jan	457.8	450.0	0	0
Mar	461.6	453.9	0	0

HIGH GRADE COPPER 25,000 lbs; cents/lbs

	Close	Previous	High/Low	
Nov	74.50	73.40	74.50	74.50
Dec	74.45	73.55	74.75	73.75
Jan	74.65	73.75	74.75	74.05
Feb	74.85	74.05	74.85	74.60
Mar	75.00	74.25	75.35	74.55
Apr	75.25	74.50	75.25	75.20
May	75.50	74.75	75.80	75.20
Jun	75.70	74.95	0	0
Jul	75.95	75.20	76.25	75.80
Aug	76.15	75.40	0	0

CRUDE OIL (Light) 42,000 US galls $/barrel

	Latest	Previous	High/Low	
Dec	17.36	17.49	17.53	17.25
Jan	17.58	17.70	17.70	17.50
Feb	17.74	17.88	17.83	17.69
Mar	17.91	18.01	17.96	17.85
Apr	18.01	18.13	18.07	17.98
May	18.16	18.24	18.16	18.09
Jun	18.21	18.35	18.21	18.21
Jul	18.32	18.45	18.36	18.32
Aug	18.48	18.56	18.48	18.46
Sep	18.56	18.67	18.60	18.55

HEATING OIL 42,000 US galls, cents/US galls

	Latest	Previous	High/Low	
Dec	52.10	52.47	52.60	51.90
Jan	52.85	53.31	53.15	52.70
Feb	53.15	53.56	53.40	53.10
Mar	52.90	53.16	53.15	52.75
Apr	52.40	52.46	52.40	52.25
May	51.60	51.81	51.75	51.50
Jun	51.30	51.51	51.30	51.15
Jul	51.35	51.71	51.55	51.45
Aug	52.30	52.26	52.30	52.30
Sep	53.35	53.21	53.35	53.35

COCOA 10 tonnes;$/tonnes

	Close	Previous	High/Low	
Dec	1071	1097	1096	1069
Mar	1121	1143	1144	1120
May	1139	1164	1162	1138
Jul	1152	1175	1174	1152
Sep	1168	1190	1188	1170
Dec	1188	1202	1201	1187
Mar	1203	1219	1221	1203
May	1221	1237	0	0
Jul	1235	1251	0	0
Sep	1254	1270	0	0

COFFEE "C" 37,500lbs; cents/lbs

	Close	Previous	High/Low	
Dec	75.15	78.30	77.25	75.05
Mar	77.85	80.95	79.90	77.75
May	79.40	82.55	81.40	79.40
Jul	80.95	84.10	82.70	81.60
Sep	82.40	86.50	84.25	83.00
Dec	84.85	87.60	86.00	84.95
Mar	87.00	90.00	0	0

SUGAR WORLD "11" 112,000 lbs; cents/lbs

	Close	Previous	High/Low	
Mar	10.90	10.55	11.03	10.52
May	10.98	10.71	11.10	10.67
Jul	11.02	10.74	11.07	10.75
Oct	11.00	10.74	11.05	10.75

COTTON 50,000 lbs; cents/lbs

	Latest	Previous	High/Low	
Dec	58.25	57.25	57.25	58.20
Mar	58.60	59.37	59.35	58.55
May	59.85	60.45	60.40	59.65
Jul	60.80	61.22	61.15	60.77
Oct	61.75	62.30	0	0
Dec	61.85	62.45	62.40	61.90
Mar	63.00	63.10	0	0

ORANGE JUICE 15,000 lbs; cents/lbs

	Close	Previous	High/Low	
Nov	102.90	104.30	104.20	99.05
Jan	106.40	107.90	108.00	101.00
Mar	109.50	110.50	110.80	105.60
May	111.50	112.25	112.50	108.20
Jul	113.50	114.00	113.75	112.50
Sep	114.50	115.00	114.25	113.75
Nov	112.50	112.20	0	0
Jan	112.50	112.20	0	0
Mar	112.50	112.20	0	0

INDICES

REUTERS (Base: September 18 1931 = 100)

Nov 4	Nov 3	mnth ago	yr ago
1615.1	1612.2	1574.6	1653.0

DOW JONES (Base: Dec. 31 1974 = 100)

	Nov 3	Nov 2	mnth ago	yr ago
Spot	119.87	118.85	117.98	114.28
Futures	132.58	131.86	125.40	118.58

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel

	Close	Previous	High/Low	
Nov	637/2	630/2	637/0	630/4
Jan	645/6	640/2	647/6	640/2
Mar	653/4	648/6	654/2	642/0
May	657/6	651/6	658/0	651/0
Jul	660/4	654/6	661/4	654/2
Aug	658/0	653/4	658/4	653/2
Sep	644/0	640/0	644/0	638/4

SOYABEAN OIL 60,000 lbs; cents/lb

	Close	Previous	High/Low	
Dec	23.82	23.49	23.86	23.40
Jan	23.91	23.56	23.98	23.58
Mar	24.06	23.71	24.10	23.71
May	24.18	23.80	24.20	23.80
Jul	24.20	23.82	24.28	23.86
Aug	24.06	23.65	24.18	23.80
Sep	23.95	23.50	24.05	23.75
Oct	23.65	23.15	23.65	23.65

SOYABEAN MEAL 100 tons; $/ton

	Close	Previous	High/Low	
Dec	201.3	198.8	201.5	198.8
Jan	200.3	198.0	200.5	197.8
Mar	200.1	197.9	200.2	198.0
May	200.3	197.8	200.4	197.8
Jul	200.8	198.3	200.9	198.6
Aug	200.5	198.4	200.5	198.4
Sep	199.5	198.2	199.5	198.0
Oct	197.0	198.5	197.0	196.0

MAIZE 5,000 bu min; cents/56lb bushel

	Close	Previous	High/Low	
Dec	264/4	261/6	266/0	260/2
Mar	271/6	268/4	272/2	268/4
May	275/4	272/0	275/6	272/0
Jul	276/0	273/0	276/6	273/0
Sep	264/6	262/4	265/6	262/6

WHEAT 5,000 bu min; cents/60lb-bushel

	Close	Previous	High/Low	
Dec	343/0	333/4	343/4	333/0
Mar	340/6	332/6	341/4	333/2
May	330/0	321/6	330/4	321/6
Jul	319/4	314/2	321/0	314/0
Sep	322/0	318/0	323/0	322/0

LIVE CATTLE 40,000 lbs; cents/lbs

	Close	Previous	High/Low	
Dec	72.775	72.375	72.925	72.475
Feb	73.975	73.950	74.100	73.875
Apr	75.850	75.825	76.050	75.800
Jun	72.675	72.800	72.875	72.550
Aug	71.350	71.275	71.525	71.250
Oct	72.000	71.825	72.150	72.000

LIVE HOGS 40,000 lb; cents/lbs

	Close	Previous	High/Low	
Dec	46.875	47.225	47.500	46.750
Feb	47.975	48.625	48.750	47.900
Apr	46.500	46.900	47.150	46.450
Jun	50.975	51.300	51.450	50.900
Jul	50.325	50.475	50.650	50.250
Aug	48.900	49.025	49.050	48.875
Oct	44.950	45.050	44.950	44.900

PORK BELLIES 40,000 lbs; cents/lb

	Close	Previous	High/Low	
Feb	56.075	59.075	57.800	56.800
Mar	55.700	57.025	57.000	[illegible]
May	56.550	55.825	56.700	[illegible]
Jul	57.125	56.825	57.250	[illegible]
Aug	56.000	57.350	0	0

FT-SE 100 Index driven below 3,150

By Steve Thompson

A WORLDWIDE decline in equity markets engulfed a UK stock market regarded by many observers as overvalued and drove share prices sharply lower yesterday. However, a rally, prompted mainly by a relatively steady opening on Wall Street, left the London market well above its lowest levels by the close of trading. Dealers said London had been upset by fears that a move to repatriate US funds could follow a shift to tighter monetary policy in the US.

Helping the market kick against big losses throughout Continental bourses was an excellent set of third quarter figures from British Petroleum, triggering an all round good performance from the rest of the all-important oil sector.

The FT-SE 100-share index ended a volatile session a net 13.3 lower at 3,149.0, while the FT-SE Mid 250 index moved in tandem, closing 16.9 off at 3,500.4.

Big falls in the world's most important stock markets overnight and early yesterday set the tone for what was always going to be a difficult trading session in London. Wall Street retreated sharply from its record high level, troubled by another sizeable decline in US bonds which in turn triggered a flurry of selling pressure in US equities.

Far eastern markets took their cue from the US with Tokyo sliding 430 points on the Nikkei index and Hong Kong's Hang Seng – a weak market in recent sessions – losing 147 points.

The FT-SE 100 index began the session almost twenty points lower and staged a minor rally during the first hour of trading, picking up to show a 5 point decline before coming under another bout of downside pressure. This drove the 100 index down to the day's low point of 3,133.9 in mid-morning.

Wall Street's better-than-expected opened helped UK prices stabilise towards the close, although dealers noted signs of more selling pressure building up during the last 30 minutes of trading when one of the leading UK marketmaking firms was thought to have executed a substantial sell programme, including big blocks of telecom and financial stocks.

Turnover yesterday reached a heavy 784.1m shares, well above the levels seen earlier this week. The value of customer business transacted on Wednesday was £1.29bn.

Senior traders in London agreed that London had performed exceptionally well yesterday in face of the big falls across the world's markets. All of them, however, voiced caution about Wall Street's vulnerability. "If Wall Street holds or closes up on the session we should be OK; but if it wobbles and goes down then we will test the downside levels," was the view of one head of marketmaking although he said he still felt comfortable with the market.

A welter of important trading statements from some of the UK market's leading companies plus a number of big moves around the sectors kept dealers busy. BP, the oil group, unloved and shunned by UK domestic institutions just over a year ago when it cut its quarterly dividend payment, extended its recent outstanding performance after releasing third quarter numbers well in excess of market forecasts, pulling other oil stocks with it.

On the other hand, BT upset the big income funds by putting a question mark over future dividend growth and its shares dipped accordingly.

TRADING VOLUME IN MAJOR STOCKS

	Volume 000's	Closing Price	Day's change
ASDA Group†	12,000	40¾	-½
Abbey National†	2,800	414	-1
Allied Fisher	1,100	86	-1
Allied-Lyons†	2,000	589	-10
Anglian Water†	4,800	514	-11
Argos	255	342	-2
Argyll Group†	6,800	268	-5
Arjo Wiggins†	3,000	224	-1
Assoc. Brit. Foods†	69	477	-8
Ass. Brit. Ports	1,200	498	+1
[illegible]			
Dalgety	10,000	442	-9
De La Rue	88	788	+1
Dixons	3,900	278½	+5½
Eastern Elect.	701	603	-7
East Midland Elect.	763	573	-7
Eng China Clays	284	423	-1
Enterprise Oil†	10,000	479	+3
Eurotunnel Units	375	480	-5
FKI	1,500	180	
Fisons†	5,100	151	-2
[illegible]			
Royal Insurance†	1,000	312	-3
Sainsbury†	6,900	376	-9
Schroders†	18	1258	
Scottish & New.†	1,100	492	+7
Scot. Hydro-Elect.	251	404	-1
Scottish Power†	7,800	403	-5½
Sears†	2,400	118	
Sedgwick	359	180	-4
Seaboard	126	648	-5
Severn Trent Water†	2,400	548	-10
Shell Transport†	7,300	723½	+8½
Lucas	3,200	171	
MB Caradon†	1,800	339	-2
MEPC†	1,800	520	-6
MFI	360	142	-1
Manweb	230	657	-1
Marks & Spencer†	3,700	409½	+2½
Midlands Elect.	726	617	-8
Morrison (Wm.)	1,500	86	-2
NFC†	520	271	-3
[illegible]			
Sebel†	2,400	563	-2
Slough Ests	1,100	255	-1
Smith (W.H.) A	330	476	-2
Smith & Nephew†	4,700	140½	-½
SmKl Beecham†	2,500	418	+2½
SmKl Beecham Uts.†	1,700	376	+1
Southern Inds.	525	408	
Southern Elect.	497	609½	-6½
South Wales Elect.	103	650	-4
[illegible]			
Wellcome†	2,200	716	+11
Welsh Water	1,300	568	-5
Wessex Water	905	645	-4
Whitbread "A"†	841	502	-8
Williams Hldgs.†	858	338	+5
Willis Corroon	1,400	221	
Wimpey	1,100	162	-5
Wolseley†	498	731	+8
Yorkshire Elect.	86	636	-1
Yorkshire Water	2,700	552	-11
Zeneca†	1,600	771	+3

Based on the trading volume for a selection of Alpha securities dealt through the SEAQ system yesterday until 4.30pm. Trades of one million or more are rounded down. † Indicates an FT-SE 100 Index constituent.

Account Dealing Dates

*First Dealings:	Oct 18	Nov 1	Nov 15
Option Declarations:	Oct 28	Nov 11	Nov 25
Last Dealings:	Oct 29	Nov 12	Nov 26
Account Day:	Nov 8	Nov 22	Dec 6

*New time dealings may take place from two business days earlier.

Waters upset by Ofwat

WATER shares moved erratically after the much-vaunted report from Ofwat, the regulatory body, over the industry's future pricing policies. Although the rate of return that will be allowed after 1995 was considered disappointing by some water specialists, there were other elements of the report which were thought to be more positive.

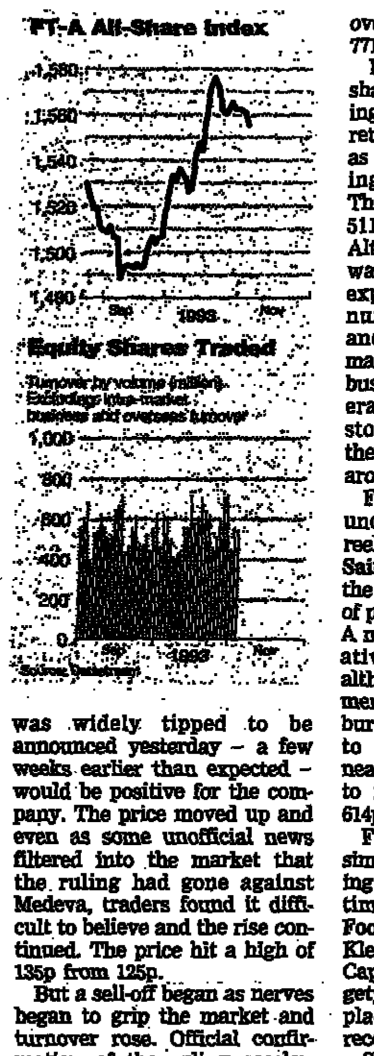
The fact that there is to be no clawback of previous revenues, as had been feared by some, gave the shares an initial spurt as the Ofwat announcement was made to the market. Analysts also garnered some satisfaction over the length of time allowed for in converging the companies and Ofwat target rate of returns.

However, the shares began slipping back as analysts studied the detail of the report. There was also a rumour – not helped by the fact that brokers received the couriered report at different times – that Ofwat was planning to control the rate of dividend increase. This was not the case, but the weight of the report did reinforce the conclusion for some analysts that the water companies faced a new and tougher environment.

Recommending an "underweight" investment position, Ms Angela Whelan at BZW said: "The glory days for the water stocks are over. Their attractions are diminishing and the pace of dividend growth in the rest of the market is fast catching up."

Meanwhile, S.G. Warburg took a more positive view, reinforcing its stance with the issue of a warrant – a tradeable derivative giving investors the option to buy shares in the future – on selected water stocks. The broker, assuming some weakness in the sector following the issuing of the Ofwat report, issued the warrant in the afternoon session. Thames (6 shares), Severn Trent (6 shares), Southern (3 shares) and Yorkshire (3 shares) are the basket stocks chosen, with a strike price of 98p for an underlying price of £99.81. Yesterday, the warrant price had slipped to 97.5p, although the underlying shares stayed around the same price.

Severn Trent shares closed 10 down at 548p, as did Thames, at 540p, with Yorkshire off 11 at 552p and Southern the same amount at 571p. The Recs were also weak on concern that Offer, the electricity industry body, could adopt a tougher regulatory regime.



BP surges

Interest soared in British Petroleum after much better than expected third-quarter figures, and the shares climbed 9½ to a two-year high of 356½p.

Activity expanded rapidly to 25m shares traded, making BP by far the market's top turnover stock. Most analysts moved swiftly to upgrade their forecasts after the figures were released.

Some notes of caution were struck in the generally enthusiastic reception, with one analyst suggesting that the fourth-quarter figures were unlikely to be as exciting.

A spot of US selling was also seen as those transatlantic investors who have been supporting the stock recently saw an ideal chance to bail out with a profit. UK institutions were reported to be more than keen to mop up the outflow from the US sellers as they rushed to remedy underweight positions in the stock.

One cautious stance came from Mr John Toalster at Strauss Turnbull, who said the broker would retain its overvalued rating on BP in spite of the figures, arguing that the share price had pushed past a reasonable level.

The gloss from BP rubbed off on some other oil stocks. Shell, which reports its own third-quarter figures next Thursday, pushed up 8½ to 723½p in healthy volume of 7.1m. Enterprise Oil, which traded 10m shares – the bulk of which came through three block placings which totalled 8.8m at 476½ – pushed up 3 to 479p.

Medeva unsettled

Trading in Medeva was in a state of flux yesterday after a court ruling over its patent battle for its Hepatitis B took many by surprise.

Early in the session Medeva shares rose strongly on speculation that the ruling which was widely tipped to be announced yesterday – a few weeks earlier than expected – would be positive for the company. The price moved up and even as some unofficial news filtered into the market that the ruling had gone against Medeva, traders found it difficult to believe and the rise continued. The price hit a high of 135p from 125p.

But a sell-off began as nerves began to grip the market and turnover rose. Official confirmation of the ruling accelerated the slide and the price rapidly headed towards its day's low of 109p.

A rally was mustered as the market digested the company's statement that it would appeal against the judgement on its patent dispute with Biogen. Turnover at close was a hefty 14m putting Medeva as the fourth highest volume stock in the market.

One analyst said that the panic reaction to the ruling was understandable as the company's medium term and long-term future largely hinges on its Hepatitus B drug. The shares closed at 119½p.

Other pharmaceuticals had a fairly unremarkable day. Wellcome continued to bounce back after its poorly received figures with a rise of 11 to 716p. SmithKline Beecham A pushed up 2½ to 418p and Zeneca, still enjoying positive sentiment over its heart drug, added 3 to 771p.

Figures from Boots sent the shares tumbling, before rallying as analysts and institutions returned from what was seen as a positive post-results meeting with the management. They eventually closed up 6 at 511p in turnover of 8.8m. Although the headline figure was at the bottom end of expectations, there were a number of exceptional costs and the underlying performance from the group's core businesses was considered generally satisfactory by many stores analysts. Most edged their full-year forecasts up to around £470m.

Food retailers continued under a cloud as the sector reeled from the results from J Sainsbury on Wednesday and the supermarket group's talk of price cuts and tight margins. A number of brokers were negative towards the sector, although there were few fundamental changes of view. Sainsbury shares slipped a further 9 to 376p in big turnover of nearly 7m. Argyll Group lost 5 to 274p and Kwik Save 6 to 614p.

Food manufacturers were a similar story with shares falling on the continuing poor sentiment. Associated British Food retreated 8 to 477p, with Kleinwort Benson and James Capel said to be negative. Dalgety tumbled 9 to 442p as a big placing of 4.9m at 430p was recorded.

Shares slipped back in the telecoms sector as the market digested two sets of results. Figures from BT were said by analysts to be generally pleasing, but the level of dividend growth disappointed some. The fully-paid shares fell 9 to 467½p, while the partly-paid slipped 10 to 217½p. BT's comments about the growth of fibre optic cabling helped BICC jump 6 to 403p. There was also some talk of BT using its brand for Cellnet, a hint that some in the market took to mean that BT was about to buy out Securicor's share of the cellular system. Securicor shares climbed 5 to 1120p. BT was also said to be distancing itself from recent speculation that it was eyeing Thorn EMI, whose shares slid 3 to 968p.

Results from Hong Kong Telecom, 58 per cent-owned by Cable and Wireless, came in line with expectations, but C&W shares were reined in by profit-taking, closing 13 off at 480p.

Roayl Bank of Scotland gained 3 to to 367p after reports that Smith New Court was positive.

Warburg, which announces its interims next Tuesday, fell back 9 to 909p, after dipping below 900p at one stage.

Some nerves ahead of imminent interim results pushed back BOC Group and it relinquished 11 to 651p in a generally weak chemicals sector. Its results are due in just under a fortnight. Courtaulds, which posts its own interims the following day, fell back 11 to 480p.

MARKET REPORTERS:
Christopher Price,
Christine Buckley.

■ Other statistics, Page 24

NEW HIGHS AND LOWS FOR 1993

NEW HIGHS (108). [illegible] Dawson, Ests. & Gen. 8pc Pf., Green Prop., Hemingway, High-Point, Lon. & Assoc., Southend Prop., Tops Ests., Wates City of Lon., STORES (1) Courts, TELE NETWORKS (3) BT, GN Gt. Nordic, Securicor, Do N/V, Security Servs., TEXTS (3) Allied Text., Magellan, TRANSPORT (6) BAA, Brit. Airways, Do 9¾pc Cv., Dawsongroup, Forth Ports, Mersey Docks, WATER (2) Northumbrian, Welsh, MINES (11)

NEW LOWS (24). BUSINESS SERVS (1) Inchcape, CHEMS (1) Courtaulds, CONTG & CONSTRCN (3) BB & EA, Bell (AH), Try, ELECTRICALS (1) Burnfield, ENG GEN (1) Clayton Son, FOOD MANUF (1) Utd. Biscuits, FOOD RETAILING (6) ASDA, Argyll, Kwik Save, Low (Wm), Morrison (Wm), Do 5¼pc Pf., Sainsbury (J), Tesco, HOTELS & LEIS (1) Euro Disney, INSCE BROKERS (1) Marsh & McLennan, INV TRUSTS (2) Murray Split Cap., Perpetual Japanese, OTHER FINCL (2) Hambro Serv., St James's Pl., PACKG, PAPER & PRINTG (1) Bowater, PROP (1) Regian.

FINANCIAL TIMES EQUITY INDICES

	Nov 4	Nov 3	Nov 2	Nov 1	Oct 29	Year ago	*High	*Low
Ordinary share	2378.0	2383.7	2387.4	2382.1	2398.0	2009.2	2414.2	2124.7
Ord. div. yield	3.89	3.87	3.87	3.87	3.87	4.54	4.52	3.82
Earning yld % full	4.54	4.49	4.48	4.48	4.48	6.44	6.38	4.47
P/E ratio net	27.83	27.91	27.97	27.95	28.07	19.81	28.30	19.40
P/E ratio nil	25.82	25.87	25.92	25.90	25.99	18.31	26.14	18.14
Gold Mines	231.0	220.8	217.4	224.6	225.5	88.6	249.2	80.0

*for 1993. Ordinary share index since compilation: high 2414.2 31/8/93 - low 49.4 26/6/40
Gold Mines index since compilation high: 734.7 15/2/83- low 43.5 26/10/71
Basis Ordinary share 1/7/35; Gold Mines 12/9/55.

Ordinary Share hourly changes

Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.00	High	Low
2368.2	2370.8	2365.6	2371.8	2377.9	2380.2	2377.4	2378.9	2375.4	2380.9	2364.2

Volume	Nov 4	Nov 3	Nov 2	Nov 1	Oct 29	Year ago
SEAQ Bargains	29,765	29,509	28,905	28,404	36,032	24,596
Equity Turnover(£m)†	-	1293.0	1586.6	1090.8	1636.2	1515.4
Equity Bargains†	-	33,244	33,598	33,225	40,551	28,835
Shares traded (mil)†	-	552.5	571.6	464.6	726.4	597.9

† Excluding intra-market business and overseas turnover.

London report and latest Share Index
Tel. 0891 123001. Calls charged at 36p/minute cheap rate. 48p at all other times.

EQUITY FUTURES AND OPTIONS TRADING

THE steep declines throughout many equity markets undermined confidence in stock index futures, during a session of intense activity which saw the premium of the future over the cash market shrink to around two points, writes Steve Thompson.

A weak overnight Wall Street, plus flurries of selling across European markets, triggered heavy downside pressure in the Footsie December future at the outset of trading. The contract fell through the 3,150 level to the day's low of 3,143 in mid-morning.

Thereafter, a good rally set in, with December pushed up to the day's high of 3,167 over the lunchtime period, as traders anticipated a steady opening by Wall Street, before sliding back during the late afternoon to close at 3,153.

Dealers said most of the big activity had been concentrated in the 3,150 to 3,160 band, with bears said to be increasingly worried that any further weakness in US bonds could trigger a rise in US interest rates and shift back substantial US funds from Europe to the US market. "There is a real concern that some of the "hot money" in this market could move elsewhere," said one leading trader. Turnover expanded to more than 12,000 contracts.

BP headed the list of most active traded stock options, with 3,400 lots dealt after the group surprised the market with much better than expected third-quarter results.

FT-SE Actuaries Share Indices — THE UK SERIES

FT-SE 100	FT-SE MID 250	FT-A ALL-SHARE
3149.0 -13.3	3500.4 -16.9	1554.54 -6.65

	Nov 4	Day's change %	Nov 3	Nov 2	Nov 1	Year ago	Dividend yield %	Earnings yield %	P/E Ratio	Xd adj. ytd	Total Return
FT-SE 100	3149.0	-0.4	3162.3	3164.1	3164.4	2711.1	3.74	5.51	22.52	84.88	1147.58
FT-SE Mid 250	3500.4	-0.5	3517.3	3523.3	3520.5	2572.2	3.47	5.67	21.46	85.77	1284.57
FT-SE Mid 250 ex Inv Trusts	3501.8	-0.4	3517.1	3522.1	3521.2	2576.9	3.58	6.05	20.16	87.90	1282.72
FT-SE-A 350	1569.8	-0.4	1576.4	1577.8	1577.6	1306.6	3.68	5.55	22.28	41.38	1171.79
FT-SE SmallCap	1799.51	-0.3	1804.85	1805.10	1803.33	-	3.06	3.78	36.22	39.64	1359.81
FT-SE SmallCap ex Inv Trusts	1783.11	-0.2	1787.22	1787.55	1786.39	-	3.26	4.21	33.67	40.86	1346.55
FT-A ALL-SHARE	1554.54	-0.4	1561.19	1563.30	1562.16	1281.42	3.64	5.44	22.83	40.50	1181.22
1 CAPITAL GOODS(215) – 99 FT-A ALL-SHARE(817)	[illegible]										

Hourly movements

	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.00	16.10	High/day	Low/day
FT-SE 100	3142.7	3148.9	3135.4	3142.0	3151.7	3155.7	3153.5	3153.8	3147.8	3157.6	3133.9
FT-SE Mid 250	3508.5	3505.7	3500.1	3500.1	3500.9	3501.8	3502.1	3500.7	3500.3	3508.5	3497.9
FT-SE-A 350	1566.0	1569.3	1564.3	1568.8	1570.7	1572.3	1571.5	1571.5	1569.1	1572.1	1563.5

Time of FT-SE 100 high: 12.45pm low: 10.11am.

FT-SE Actuaries 350 Industry Baskets

Hourly	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	Close	Previous close	change
Constrcn	2001.4	2001.9	2003.3	1999.4	1996.7	1994.7	1996.7	1997.2	1993.3	1993.0	2007.7	-14.7
Health&H	1107.5	1114.3	1112.0	1117.7	1118.2	1118.4	1116.4	1117.2	1114.0	1113.8	1112.6	+1.3
Water	1554.3	1547.5	1523.5	1536.4	1532.3	1534.9	1534.0	1528.6	1528.2	1526.4	1554.1	-27.7
Banks	2037.1	2035.3	2028.4	2032.3	2033.6	2036.8	2035.3	2033.7	2031.7	2032.0	2050.1	-18.1

Additional information on the FT-SE Actuaries Share Indices is published in Saturday issues. [illegible] The FT-SE 100, the FT-SE Mid 250 and the FT-SE Actuaries 350 Indices are compiled by the London Stock Exchange and the FT-Actuaries All-Share Index is compiled by The Financial Times Limited, both in conjunction with the Institute of Actuaries and the Faculty of Actuaries [illegible] © The International Stock Exchange of the United Kingdom and Republic of Ireland Limited 1993. © The Financial Times Limited 1993. All rights reserved. "FT-SE" and "Footsie" are joint trade marks and service marks of the London Stock Exchange and The Financial Times Limited. The FT-SE Actuaries Share Indices are audited by The WM Company.

LONDON SHARE SERVICE

BRITISH FUNDS

	Notes	Price £	+ or -	1993 high	low	Yield Int.	Red.
"Shorts" (Lives up to Five Years)							
[illegible]							

BRITISH FUNDS - Cont.

[illegible]

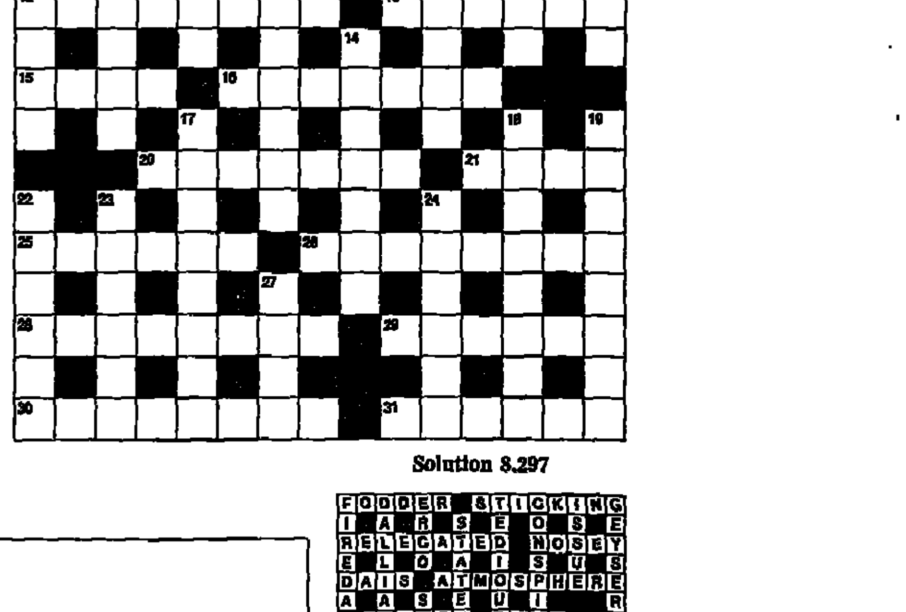
OTHER FIXED INTEREST

[illegible]

Continued on next page

CROSSWORD

No.8,298 Set by ALAUN



ACROSS
1 Yes, the way to the heart is to show indifference (6)
4 Investigate and leave the hotel (5,3)
9 Pipes unscrew the big nut (6)
10 Fat, having just stepped out of the bath? (8)
12 Retiring, having done another stint in the forces (8)
13 Clergyman's dog fed (6)
15 Leave word (4)
16 Redo, changing the colour as told to (7)
20 Show a piece of paper with a little insect on it (7)
21 Charge one for the transport (4)
25 Expects it was running ahead (6)
26 Stand by the article "Problem of the Young" (8)
28 Gives one the wrong idea when the girl guide enters (8)
29 A killer in the parking lot is running amok (6)
30 It's lucky the Latin's translated when the master comes in (8)
31 Fear I dropped it by mistake (6)

DOWN
1 Tries in a roundabout way to find out about the star (8)
2 A doctor (American) and he had been attacked (8)
3 Country that has a deficit and is suffering from famine (6)
5 Said it's a card game (4)
6 Those made prisoner are fitting in better (8)
7 Into the liver, for instance, I tuck a herb (6)
8 To exercise the dog, get dressed (6)
11 Encourage one to audition a number (7)
14 They always have their heads to one side (7)
17 Possibly the smartest thing in the bedroom (8)
18 The crane swings to grasp the first container (8)
19 The odd one (8)
22 A cat and a sheep brought up by another animal (6)
23 Ornament written backwards without a T (6)
24 Having clout, take on the bosses in a power struggle (6)
27 She's made an early start and is up (4)

JOTTER PAD

Solution 8,297

LONDON SHARE SERVICE

AMERICANS

CANADIANS

BANKS

BREWERS & DISTILLERS

BUILDING MATERIALS

BUSINESS SERVICES

CHEMICALS

CONGLOMERATES

CONTRACTING & CONSTRUCTION

ELECTRICALS

ELECTRICALS - Cont.

ELECTRICITY

ELECTRONICS

ENGINEERING-AEROSPACE

ENGINEERING-GENERAL

ENGINEERING-GENERAL - Cont.

FOOD MANUFACTURING

FOOD RETAILING

HEALTH & HOUSEHOLD

HOTELS & LEISURE

HOTELS & LEISURE - Cont.

INSURANCE BROKERS

INSURANCE COMPOSITE

INSURANCE LIFE

INVESTMENT TRUSTS

INVESTMENT TRUSTS - Cont.

INVESTMENT TRUSTS - Cont.

[illegible]

Net asset values supplied by NatWest Securities Limited as a guide only. See guide to London Share Service.

INVESTMENT COMPANIES

[illegible]

Net asset values supplied by NatWest Securities Limited as a guide only. See guide to London Share Service.

MEDIA

[illegible]

MERCHANT BANKS

[illegible]

METALS & METAL FORMING

[illegible]

MISCELLANEOUS

[illegible]

MOTORS

[illegible]

OIL & GAS

[illegible]

OIL & GAS - Cont.

[illegible]

OTHER FINANCIAL

[illegible]

OTHER INDUSTRIALS

[illegible]

PACKAGING, PAPER & PRINTING

[illegible]

PACKAGING, PAPER & PRINTING - Cont.

[illegible]

PROPERTY

[illegible]

STORES

[illegible]

STORES - Cont.

[illegible]

TELEPHONE NETWORKS

[illegible]

TEXTILES

[illegible]

TRANSPORT

[illegible]

WATER

[illegible]

SOUTH AFRICANS

[illegible]

PLANTATIONS

[illegible]

MINES

[illegible]

MINES - Cont.

[illegible]

Europa Minls ... N□	34	—	42	15	16.4	–
Glencar Expl IE ... ‡‡	11	—	12	6	2.83	–
Greenwich Res ... ♣□	15¼	+¼	22¼	5	12.5	–
Hemlo Gold C$ ...	28⅞	—	28¼	£21½	885.3	1.5
Ivernia West IE ... ‡‡□	38	—	67	31	19.1	–
Kells Minls IE ... ‡‡	12	—	14	6	0.29	–
Kenmare ... ♣□	9¼	—	13½	6	9.78	–
Malinga Res ...	7½	–½	25½	7	0.83	–
Navan Res IE ... ♣	104	—	104	25	17.7	–
5pc Ln Notes ...	98	—	98	25	17.6	–
Oryx Gold ...	44	—	78½	27	–	–
‡‡Ovoca Res IE ...	9½	—	9½	3½	0.98	–
RTZ ... ♣†N□	678	+1	748	607	7,192	5.1

GUIDE TO LONDON SHARE SERVICE

Company classifications are based on those used for the FT-Actuaries Indices and FT-Actuaries World Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid- prices.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Symbols referring to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Market capitalisation shown is calculated separately for each line of stock quoted.

Estimated price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation, excluding exceptional profits/losses and unrelieved ACT where applicable. Yields are based on mid-prices, are gross, adjusted for a dividend tax credit of 20 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current pre-closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- □ Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the Stock Exchange Automated Quotation system (SEAQ).
- ● "Tap Stock"
- * Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- ♦ Figures or report awaited
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ♣ Free annual/interim report available, see details below.
- ☆ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Not officially UK listed; dealings permitted under Rule 535(2)
- ¶ Price at time of suspension
- ¶ Indicated dividend yield after pending scrip and/or rights issue.
- ♦ Merger bid or reorganisation in progress
- § Forecast dividend yield; p/e based on earnings updated by latest interim statement.
- ♠ Unregulated collective investment scheme.

a Yield based on annualised dividend
b Figures based on prospectus or other official estimates.
c Cents.
f Flat yield.
g Assumed dividend ...
v Not subject to ACT.
z Dividend yield includes a special payment
£ Auction basis
F Yield based on prospectus or other official estimates for 1994-95
... official estimates for 1993-94.
H Figures based on IIMR 'Headline Earnings' draft proposals.
P Figures based on prospectus or other official estimates for 1994.
[illegible]

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1250 a year for each security shown, subject to the Editor's discretion.

FT Free Annual Reports Service

You can obtain the current annual/interim report of any company annotated with ♣. Ring 081 643 7181 (open 24 hours including weekends) or fax 081 770 3822, quoting the code FT2585. [If calling from outside UK, dial +44 81 643 7181 or fax +44 81 770 3822] Reports will be sent the next working day, subject to availability. If faxing please remember to state the weekly changing FT code above and also your post code.

FT Cityline

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An international service is available for callers outside the UK, annual subscription £250 stg.

Call 071-873 4378 (+44 71 873 4378, international) for more information on FT Cityline.

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (071) 873 4378 for more details.

AUTHORISED UNIT TRUSTS

Marks & Spencer Unit Trust Ltd (1200)F
PO Box 410, Chester X, CH99 9DG 0244 680068

	Init Chrge	Canc Price	Bid Price	Offer Price	+ or -	Yield Gr's
M & S Inv P'folio	5½	148.5	148.6	160.0	-0.31	1.91
Do Accum	5½	167.5	167.8	179.3	-0.31	1.91
UK Sel P'folio	5½	124.2	124.7	133.4	-0.30	2.31
Do Accum	5½	140.3	141.0	150.7	-0.30	2.31

Norwich Union Tst Managers (1200)H
PO Box 124, Surrey Street, Norwich 0603 682234

	Init Chrge	Canc Price	Bid Price	Offer Price	+ or -	Yield Gr's
Master Trust	6	119.72	119.72	127.36	-0.60	1.42
UK Equity	6	134.50	136.63	145.35	-0.25	2.95
UK Equity Income	6	131.21	132.95	141.44	-0.32	3.80
UK Smaller Co's	6	118.78	119.91	127.56	-0.54	2.04
UK Equity Growth	6	123.81	125.14	133.13	-0.04	2.53
UK Index Tracking ✦ F	6	136.15	137.05	145.80	-0.10	3.27
Intl Index Tracking F	6	142.87	143.86	153.15	-1.64	1.02
International	6	225.76	228.58	243.09	-1.35	0.75
European	6	169.83	170.98	181.89	-1.27	1.51
Pan European	6	122.27	123.50	131.40	-0.26	1.09
Nth American	6	161.58	162.78	173.18	-1.30	0.65
Nth Amer Smlr Cos	6	173.57	176.79	188.20	-0.79	0.00
Japanese	6	93.92	95.14	101.21	-0.98	0.00
Pacific	6	227.27	231.46	246.22	-1.70	0.20
South East Asian	6	245.04	254.20	267.23	-1.48	0.37
International Bond	6	138.84	138.80	147.66	-0.35	4.64
Gilt & Convertible	6	113.85	113.94	121.21	+0.31	7.21
Property F	6	74.57	76.70	81.60	-0.03	6.78
Cash Deposit Accum F	0	108.77	108.77	108.77	+0.01	5.35

Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro §§

INITIAL CHARGE: Charge made on sale of units. Used to defray marketing and administrative costs, including commission paid to intermediaries. This charge is included in the price of units.

OFFER PRICE: Also called issue price. The price at which units are bought by investors.

BID PRICE: Also called redemption price. The price at which units are sold back by investors.

CANCELLATION PRICE: The minimum redemption price. The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, most unit trust managers quote a much narrower spread. As a result, the bid price is often set above the cancellation price. However, the bid price might be moved to the cancellation price by the managers at any time, usually in circumstances in which there is a large excess of sellers of units over buyers.

TIME: The time shown alongside the fund manager's name is the time of the unit trust's valuation point unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: (♥) - 0001 to 1100 hours; (♣) - 1101 to 1400 hours; (✦) - 1401 to 1700 hours; (♠) - 1701 to midnight. Daily dealing prices are set on the basis of the valuation point; a short period of time may elapse before prices become available.

HISTORIC PRICING: The letter H denotes that the managers will normally deal on the price set on the most recent valuation. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis. The managers must deal at a forward price on request, and may move to forward pricing at any time.

FORWARD PRICING: The letter F denotes that the managers deal at the price to be set on the next valuation. Investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper are the most recent provided by the managers.

SCHEME PARTICULARS AND REPORTS: The most recent report and scheme particulars can be obtained free of charge from fund managers.

Other explanatory notes are contained in the last column of the FT Managed Funds Service.

§§ Life Assurance and Unit Trust Regulatory Organisation, Centre Point, 103 New Oxford Street, London WC1A 1QH Tel: 071-379-0444.

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (071) 873 4378 for more details.

[illegible]

INSURANCES

[illegible]

OTHER UK UNIT TRUSTS

[illegible]

FT MANAGED FUNDS SERVICE

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Reliance Mutual
Reliance House, Tunbridge Wells, Kent 0892 510033

	Bid Price	Offer Price	+ or -	Yield Gross
Deposit Acc Fd	173.5	182.6		-
Equity Acc Fd	459.2	483.4	-2.9	-
Managed Acc Fd	410.8	432.5		-
Prop FC (1st Issue)	-	872.8		-
Prop Acc Fd (2nd Iss)	153.9	162.0		-
Trust Mngd Fd	236.5	248.9		-
RL Pension Funds				
Deposit Acc	256.1	269.5		-
Equity Acc	354.2	372.8	-2.8	-
Fixed Int Acc	273.0	287.4		-
Gilt Indx Lnk Acc	209.2	220.2		-
Managed Acc	470.3	495.1		-

J Rothschild Assurance PLC
J Rothschild House, Dollar Street, Cirencester
Telephone: 0285 640302 Helpline: 041-307 8500

	Bid Price	Offer Price	+ or -	Yield Gross
Life Funds				
Income Distribution	111.8	117.7	+0.10	-
JRA M&G Managed	138.3	145.6		-
JRA/Scottish Amicable Mngd	129.8	136.7	+0.10	-
JRA St James's Place Mngd	152.1	160.2	-0.50	-
Deposit	102.6	108.0		-
Far East	161.4	169.9	+0.30	-
Gilts	123.0	129.5	+0.40	-
Greater European	134.7	141.8	+0.80	-
North American	148.3	156.7	-2.00	-
UK Equity	131.5	138.5	+0.20	-
Pension Funds				
JRA M&G Managed cap	138.4	145.7	+0.10	-
JRA M&G Managed acc	146.6	154.6	+0.10	-
JRA/Scottish Amicable Mngd cap	130.2	137.1	+0.20	-
JRA/Scottish Amicable Mngd acc	138.2	145.5	+0.20	-
JRA St James's Pl Mngd cap	166.2	175.0	-0.70	-
JRA St James's Pl Mngd Acc	176.5	185.8	-0.70	-
Deposit cap	102.3	107.7		-
Deposit acc	108.0	113.7		-
Far East cap	161.9	170.5	+0.10	-
Far East acc	171.9	181.0	+0.10	-
Gilts cap	118.7	125.0	+0.40	-
Gilts acc	126.0	132.7	+0.40	-
Greater European cap	137.3	144.6	+0.90	-
Greater European acc	145.6	153.5	+1.00	-
North American cap	150.2	158.2	-2.80	-
North American acc	159.5	167.9	-2.80	-
UK Equity cap	131.4	138.4	+0.20	-
UK Equity acc	139.5	146.9	+0.20	-

Royal Heritage Life Assurance Ltd
Peterborough Business Pk, PE2 6GG 0733 390000

	Bid Price	Offer Price	+ or -	Yield Gross
Mgd Gwth		713.0		-
Mgd Gwth A Cap	450.5	474.2		-
Mgd Gwth A Accum	713.1	750.7		-
Op Prop	429.7	452.4		-
Op Equity	872.5	918.5	-4.4	-
Op High Yld	585.0	615.8	+2.0	-
Op Man	764.6	804.9	-1.0	-

[illegible]

Scottish Mutual Assurance plc - Contd.

	Bid Price	Offer Price	+ or -	Yield Gross
Property Fund	118.2	124.4	-0.1	-
Cash Fund	168.8	177.7		-
Pens Safety Fnd	281.3	296.2	+0.3	-
Pens Growth Fnd	240.7	253.4	-1.2	-
Pens Opportunity Fnd	243.6	256.6	-1.6	-
Pens W'wide Venture Fnd	191.2	201.3	-2.7	-
Pens UK Equity Fnd	334.5	352.1	-1.1	-
Pens UK Smlr Co's Fnd	196.4	206.8	-0.6	-
Pens European Fnd	306.4	322.6	-1.0	-
Pens Far East Fnd	404.7	426.1	-4.3	-
Pens Japanese Fnd	137.3	144.6	-2.0	-
Pens Nth American Fnd	310.8	327.3	-3.2	-
Pens International Fnd	297.3	313.0	-2.8	-
Pens Gilts/Fxd Int Fnd	240.2	252.9	+0.8	-
Pens Index-linked Fnd	192.8	203.0	+0.5	-
Pens Property Fnd	178.4	188.2		-
Pens Cash Fund	208.1	219.1		-
Pens Nuttan Fnd	219.8	231.4		-

Scottish Provident Group
6 St Andrew Sq, Edinburgh 031-556 2852
Scottish Provident Institution Funds

	Bid Price	Offer Price	+ or -	Yield Gross
Life Funds				
With-Profits	106.4	112.1		-
Managed	259.0	272.6	-0.9	-
Blue Chip	140.4	147.9	-0.9	-
Equity	272.2	286.6	-0.8	-
International	278.9	293.6	-2.0	-
Property	200.9	211.6		-
Fixed Interest	221.7	233.5	+0.3	-
Index-linked	123.1	136.0	+0.6	-
Cash	181.4	191.1		-
Money Market	119.4	125.8	+0.1	-
Americas Performance	183.1	192.8	-1.9	-
Europe Performance	123.0	129.5	-0.3	-
Far East Performance	124.9	131.6	-0.8	-
Worldwide Performance	142.2	149.8	-1.9	-
With-Profits Ord	199.6	210.2	+0.1	-
Managed Ord	321.5	338.5	-1.6	-
Blue Chip Ord	149.0	156.9	-1.0	-
Equity Ord	339.0	357.0	-1.1	-
International Ord	342.4	360.6	-3.1	-
Property Ord	254.3	267.8		-
Fixed Interest Ord	303.3	319.4	+0.8	-
Index-Linked Ord	202.9	213.6	+0.6	-
Cash Ord	233.2	245.6		-
Building Society Ord	191.0	201.2		-
Americas Performance Ord	205.3	216.2	-2.8	-
Europe Performance Ord	118.6	124.9	-0.3	-
Far East Performance Ord	142.5	150.1	-1.3	-
Worldwide Performance Ord	157.4	165.8	-2.7	-

Scottish Provident Assurance Ltd Fund
(Formerly ProBio Life & Pensions Ltd)

	Bid Price	Offer Price	+ or -	Yield Gross
Life Funds				
Adventurous Mngd	194.8	207.3	-1.1	-
Balanced Gwth Mngd	772.5	821.9	-3.2	-

[illegible]

Sun Alliance Group - Contd.
Property Growth Life Funds

[illegible]

CMI Insurance Co Ltd
Clerical Medical Hse, Douglas I.O.M. 0624 625590

[illegible]

Scottish Provident Intl Life Ass Ltd - Contd.

[illegible]

Sun Alliance International Life
PO Box 77, Les Echelons Ct, St Peter Port, Gsey 0481 714108

[illegible]

MANAGEMENT SERVICES

[illegible]

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

[illegible]

GUERNSEY (REGULATED)(**)

[illegible]

CANADA (SIB RECOGNISED)

[illegible]

GUERNSEY (SIB RECOGNISED)

[illegible]

OFFSHORE INSURANCES

[illegible]

Guinness Flight Fd Mngrs - Contd.

[illegible]

Rothschild Asset Mngmt - Contd.

[illegible]

IRELAND (SIB RECOGNISED)

[illegible]

IRELAND (REGULATED)(**)

[illegible]

Morgan Grenfell Profunds Plc

[illegible]

ISLE OF MAN (SIB RECOGNISED)

[illegible]

ISLE OF MAN (REGULATED)(**)

[illegible]

JERSEY (SIB RECOGNISED)

[illegible]

FT MANAGED FUNDS SERVICE

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Hill Samuel Fund Mgrs (Jsy) Ltd (1000)F
PO Box 63, Bond Street, St Helier, Jersey 0534 604614

	Init Chge	Canc Price	Bid Price	Offer Price	+ or -	Yield Gr's
Stg Fixed Int	3½	£1.370	1.378xd	1.459	[illegible]	7.62
Offshore High Yield	3½	£1.575	1.575	1.656	[illegible]	3.34
Global Equity Fund	3½	$17.80	17.72	18.85	-0.13	0.00
European Equity	6½	DM22.75	22.75	24.24	-0.17	0.00
UK Growth Eq Fund	6½	£5.564	5.594	5.972	[illegible]	1.37
Nth American Eqty	3½	$11.78	11.78	12.59	-0.15	0.00
Far Eastern Eqty	6½	¥16.00	16.00	17.11	-0.38	0.00
International Mngd	6½	£14.45	14.47	15.46	-0.05	0.00
Intnl. Bond Fund						
Sterling Managed	3½	£12.28	12.28xd	12.80		2.18
US Dollar Managed	3½	$14.18	14.72xd	14.77	-0.01	5.30
International Currency Fund						
Sterling Managed	[illegible]	£33.18	33.18	34.38	-0.01	-
US Dollar Managed	[illegible]	$31.45	31.45	32.30	-0.01	-
Sterling	0	£30.02	30.02	30.02		4.73
US Dollar	0	$40.35	40.35	40.35	+0.01	1.71
Deutschmark	0	DM71.42	71.42	71.42	+0.01	5.33
Japanese Yen	0	¥8158	8158	8158	—	1.04
Swiss Franc	0	SF53.17	53.17	53.17	—	3.09
Irish Punts	0	I£25.97	25.97	25.97	—	5.08

Lloyds Bank (CI) U/T Mgrs.
PO Box 195, St Helier, Jersey 0534 284842

	Init Chge	Canc Price	Bid Price	Offer Price	+ or -	Yield Gr's
Lloyds Tst. Gilt	3½	£10.808	10.880xd	11.210	-0.048	6.67

Dealing daily

Midland Bank Fund Managers (Jersey) Ltd
PO Box 26, St Helier, Jersey 0534 606000

	Init Chge	Canc Price	Bid Price	Offer Price	+ or -	Yield Gr's
Intl Circuit Portfolio	6	[illegible]	1.3990	[illegible]	[illegible]	0.09
Gilt	3	[illegible]	1.0504xd	[illegible]	[illegible]	[illegible]

Prudential Fund Managers (Jersey) Ltd
PO Box 103, St Helier, Jersey 0534 70000

Prudential Currency Fd (formerly Vanbrugh Currency Fd)

	Init Chge	Canc Price	Bid Price	Offer Price	+ or -	Yield Gr's
Income (A & B)	5	271.60	271.60xd	221.38	-0.1	3.33
Growth (C & D)	5	324.50	324.50	340.78	-0.2	—

For Royal Trust see Royal Bank of Canada

Royal Bank of Canada (Jsy) Fd Mgt Ltd (1400)F
PO Box 194, St Helier, Jersey 0534 283484

	Init Chge	Canc Price	Bid Price	Offer Price	+ or -	Yield Gr's
Govt Secs Fd	4	58.66	58.66	58.99	+0.08	7.46

[illegible]

JERSEY (REGULATED)(**)

[illegible]

LUXEMBOURG (SIB RECOGNISED)

Banque Scandinave a Luxembourg SA
16 Boulevard Royal, L-2449, Luxembourg

[illegible]

Barclays Diversified Portfolio
14 rue Aldringen L-1118 352 4790 2050

[illegible]

Barclays Inv Funds (Luxembourg)
41 Avenue de la Gare L-1611 010 352 404944

[illegible]

LUXEMBOURG (REGULATED)(**)

[illegible]

SWITZERLAND (SIB RECOGNISED)

[illegible]

OTHER OFFSHORE FUNDS

[illegible]

MANAGED FUNDS NOTES

[illegible]

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGE

Dollar rises ahead of jobs data

THE DOLLAR picked up against the D-Mark and Japanese yen yesterday as banks fine-tuned their strategic currency positions ahead of today's all-important US employment figures, *writes Peter John.*

Most economists expect the October figure for all employment except agriculture to rise by between 145,000 and 175,000. If the rise is significantly higher, say around 200,000, that could help the dollar break through its recent range against the D-Mark.

However, according to Mr Adrian Cunningham, economist with UBS, any strength in the US currency yesterday had little to do with a shift in fundamental investor perception.

"The dollar perked up a bit on the latest data for jobless claims and factory goods orders but it was really a reflection of day-to-day interbank movements."

In Tokyo, the dollar was caught in tight ranges against the yen and D-Mark, held in by mild short-covering on one side and interbank offers on the other.

However, a 430-point fall in the Nikkei stock index underlined the worries over the Japanese economy and fuelled calls for a further reduction in interest rates from their already low level of 1.75 per cent. In Europe, the dollar closed at Y108.30, up from Y107.25 previously. Against the D-Mark, it rose to DM1.6960 from DM1.6930.

Its movement against the German currency was also underscored by D-Mark weakness. Following changes to the European exchange rate mechanism at the beginning of August the importance of Germany as a financial anchor has diminished and investors have been selling the currency.

Dealers added that fund managers with a calendar year end were already beginning to balance their books and take profits after a volatile year in the foreign exchange market.

The decision by the German Bundesbank to leave its discount and Lombard rates unchanged at 5.75 per cent and 6.75 per cent was already factored into investors' calculations and had no apparent effect on the currency.

The D-mark was soft against Danish krone in spite of the possible impact of Wednesday's cut in the Danish discount rate. It also gave up earlier gains against the French and Belgian francs.

It even failed to make significant inroads against the Italian Lira, overshadowed by a corruption scandal, and only rose to L968.90 from L965.30. Late on Wednesday the Italian president, Mr Oscar Luigi Scalfaro, made a surprise address on television denying involvement in illegal activities.

Sterling continued its recent trend of weakness against the dollar and firmness against the D-Mark as the debate over whether interest rates will or will not fall maintained centre stage. Against the dollar, the pound closed at $1.4795, down from $1.4805. Against the D-Mark it ended at DM2.51, up from DM2.5075.

£ IN NEW YORK

Nov 4	Latest	Previous Close
£ Spot	1.4805 - 1.4815	1.4840 - 1.4850
1 month	0.33 - 0.32pm	0.35 - 0.34pm
3 months	0.82 - 0.81pm	0.84 - 0.82pm
12 months	2.50 - 2.46pm	2.49 - 2.42pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

	Nov 4	Previous
8.30 am	80.7	80.9
9.00 am	80.7	80.9
10.00 am	80.7	80.9
11.00 am	80.8	80.8
Noon	80.8	80.9
1.00 pm	80.8	80.8
2.00 pm	80.7	80.9
3.00 pm	80.0	80.8
4.00 pm	80.8	80.9

CURRENCY RATES

Nov 4	Bank ♣ rate %	Special * Drawing Rights	European † Currency Unit
Sterling	-	0.925653	0.765761
US Dollar	3.00	1.39019	1.13425
Canadian $	4.63	1.81990	1.49450
Austrian Sch	5.25	16.5339	13.4573
Belgian Franc	6.00	50.4463	41.0994
Danish Krone	7.25	9.43800	7.65786
D-Mark	5.75	2.35743	1.91775
Dutch Guilder	5.75	2.64864	2.15288
French Franc	-	8.22267	6.68973
Italian Lira	8.5	2275.38	1861.45
Japanese Yen	1.75	N/A	122.450
Norway Krone	-	10.2547	8.32457
Spanish Peseta	-	188.635	153.520
Swedish Krona	11.50	11.3531	9.24863
Swiss Franc	4.25	2.06507	1.70060
Greek Drach	21	N/A	274.600
Irish Punt	-	N/A	0.807464

♣ Bank rate refers to central bank discount rates. These are not quoted by the UK, Spain and Ireland. † European Commission Calculations. * All SDR rates are for Nov 3

CURRENCY MOVEMENTS

Nov 4	Bank of England Index	Morgan ** Guaranty Changes %
Sterling	80.8	-28.78
U.S Dollar	66.5	-11.10
Canadian Dollar	92.7	-9.90
Austrian Schilling	114.7	+16.59
Belgian Franc	111.1	-1.94
Danish Krone	115.8	+8.48
D-Mark	124.6	+32.35
Swiss Franc	113.3	+22.33
Dutch Guilder	119.6	+21.84
French Franc	106.4	-9.06
Lira	77.9	-35.94
Yen	180.7	+123.01
Peseta	87.9	-32.85

Morgan Guaranty changes: average 1980-1982=100. Bank of England (Base Average 1985=100) **Rates are for Nov.3

OTHER CURRENCIES

Nov 4	£	$
Argentina	1.4775 - 1.4780	0.9980 - 0.9985
Australia	2.1955 - 2.1970	1.4830 - 1.4840
Brazil	269.755 - 269.770	182.205 - 182.215
Finland	8.5200 - 8.5495	5.7550 - 5.7750
Greece	358.725 - 359.315	242.300 - 242.700
Hong Kong	11.4390 - 11.4405	7.7265 - 7.7275
Iran	2457.65 - 2460.60	1660.00 - 1662.00
Korea(Sth)	1194.90 - 1195.05	807.100 - 807.200
Kuwait	0.44235 - 0.44280	0.29880 - 0.29910
Luxembourg	53.80 - 53.90	35.35 - 36.45
Malaysia	3.7925 - 3.7935	2.5615 - 2.5625
Mexico	4.6585 - 4.6615	3.1465 - 3.1485
N.Zealand	2.6655 - 2.6690	1.8005 - 1.8025
Saudi Ar	5.5580 - 5.5650	3.7505 - 3.7515
Singapore	2.3545 - 2.3555	1.5905 - 1.5910
S.Af (Cm)	4.9750 - 4.9775	3.3605 - 3.3620
S.Af (Fn)	6.3585 - 6.3735	4.2950 - 4.3050
Taiwan	39.75 - 39.80	26.85 - 26.90
U.A.E.	5.4380 - 5.4525	3.6725 - 3.6735

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu Central Rates	Currency Amounts Against Ecu Nov 4	% Change from Central Rate	% Spread vs Weakest Currency	Divergence Indicator‡
Dutch Guilder	2.19672	2.15268	-2.00	5.08	-
D-Mark	1.94964	1.91779	-1.63	4.68	-
Spanish Peseta	154.250	153.520	-0.47	3.46	3
Irish Punt	0.808628	0.807464	-0.14	3.12	1
Portuguese Escudo	192.854	196.723	2.01	0.95	-13
Belgian Franc	40.2123	41.0994	2.21	0.75	-16
French Franc	6.53883	6.68978	2.31	0.65	-19
Danish Krone	7.43679	7.65786	2.97	0.00	-30

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate.
‡Indicative values only. Divergence indicators are based on 15% band limitations but do not show the 2.25% band between the Dutch Guilder and D-Mark.

POUND SPOT - FORWARD AGAINST THE POUND

Nov 4	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.4780 - 1.4860	1.4790 - 1.4800	0.33-0.32cpm	2.64	0.82-0.79pm	2.18
Canada	1.9255 - 1.9450	1.9325 - 1.9335	0.26-0.18cpm	1.37	0.66-0.47pm	1.17
Netherlands	2.8070 - 2.8205	2.8100 - 2.8200	par-¼cdis	-0.53	¼-½dis	-0.53
Belgium	53.45 - 53.90	53.60 - 53.90	13-17cdis	-3.34	39-48dis	-3.23
Denmark	9.9970 - 10.0250	10.0075 - 10.0175	1⅛-2⅜oredis	-2.47	5⅛-6½dis	-2.32
Ireland	1.0545 - 1.0620	1.0550 - 1.0560	0.04-0.07cdis	-0.63	0.15-0.20dis	-0.68
Germany	2.5020 - 2.5125	2.5075 - 2.5125	⅛-¼pfdis	-0.90	½-⅝dis	-0.90
Portugal	256.75 - 258.10	257.10 - 258.10	110-165cdis	-6.41	333-408dis	-5.74
Spain	200.40 - 201.55	200.55 - 200.85	69-81cdis	-4.48	193-209dis	-4.01
Italy	2427.20 - 2445.10	2431.75 - 2432.75	6-8liredis	-3.45	19-22dis	-3.37
Norway	10.8760 - 10.9250	10.8850 - 10.9050	1-¼orepm	0.69	1-½pm	0.28
France	8.7285 - 8.7610	8.7400 - 8.7500	⅜-1¼cdis	-1.03	2½-3dis	-1.26
Sweden	12.0730 - 12.1430	12.0850 - 12.0950	1-2¼oredis	-1.61	4-5¼dis	-1.61
Japan	159.40 - 160.75	159.75 - 160.75	½-⅜ypm	3.29	1⅛-1¼pm	3.28
Austria	17.59 - 17.68	17.63 - 17.66	¼-1¼grodis	-0.95	3⅛-5dis	-0.92
Switzerland	2.2160 - 2.2300	2.2200 - 2.2300	⅛-⅛cpm	1.01	⅝-⅜pm	0.90
Ecu	1.3050 - 1.3090	1.3050 - 1.3090	0.15-0.19cdis	-1.56	0.49-0.55dis	-1.59

Commercial rates taken towards the end of London trading. Six-month forward dollar 1.48-1.43pm 12 Month 2.48-2.35pm.

DOLLAR SPOT - FORWARD AGAINST THE DOLLAR

Nov 4	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.4750 - 1.4860	1.4790 - 1.4800	0.33-0.32cpm	2.64	0.82-0.79pm	2.18
Ireland†	1.3975 - 1.4050	1.4010 - 1.4020	0.40-0.38cpm	3.34	1.05-1.00pm	2.93
Canada	1.3035 - 1.3100	1.3045 - 1.3055	0.12-0.15cdis	-1.24	0.29-0.36dis	-1.01
Netherlands	1.8920 - 1.9035	1.9025 - 1.9035	0.48-0.51cdis	-3.12	1.28-1.33dis	-2.74
Belgium	36.10 - 36.45	36.35 - 36.45	17.00-19.00cdis	-5.93	46.00-50.00dis	-5.27
Denmark	6.7465 - 6.7715	6.7650 - 6.7700	2.60-3.10oredis	-5.05	7.40-8.10dis	-4.58
Germany	1.6665 - 1.6955	1.6955 - 1.6965	0.48-0.49pfdis	-3.43	1.28-1.30dis	-3.04
Portugal	173.45 - 174.05	173.95 - 174.05	129-133cdis	-9.03	337-350dis	-7.90
Spain	135.10 - 135.75	135.65 - 135.75	78-82cdis	-7.07	207-213dis	-6.19
Italy	1636.00 - 1644.50	1643.75 - 1644.25	8.00-8.70liredis	-6.09	22.70-23.70dis	-5.64
Norway	7.3350 - 7.3700	7.3650 - 7.3700	1.20-1.60oredis	-2.28	3.70-4.20dis	-2.14
France	5.9810 - 5.9125	5.9075 - 5.9125	1.90-1.97cdis	-3.93	5.05-5.20dis	-3.47
Sweden	8.1440 - 8.1785	8.1700 - 8.1750	2.80-3.10oredis	-4.33	7.50-8.00dis	-3.79
Japan	107.60 - 108.35	108.25 - 108.35	0.06-0.05ypm	0.61	0.33-0.32pm	1.20
Austria	11.8660 - 11.9180	11.9130 - 11.9180	3.20-3.45grodis	-3.35	8.60-9.35dis	-3.01
Switzerland	1.4940 - 1.5035	1.5025 - 1.5035	0.19-0.22cdis	-1.64	0.43-0.49dis	-1.22
Ecu†	1.1305 - 1.1355	1.1315 - 1.1325	0.40-0.39cpm	4.19	1.08-1.06pm	3.78

Commercial rates taken towards the end of London trading. † UK, Ireland and Ecu are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency.

EURO-CURRENCY INTEREST RATES

Nov 4	Short term	7 Days notice	One Month	Three Months	Six Months	One Year
Sterling	5⅝ - 5½	5¾ - 5⅝	5¹¹⁄₁₆ - 5⁹⁄₁₆	5¹¹⁄₁₆ - 5⁹⁄₁₆	5⅝ - 5½	5¹⁵⁄₃₂ - 5¹³⁄₃₂
US Dollar	3 - 2⅞	3⅛ - 3	3³⁄₁₆ - 3¹⁄₁₆	3½ - 3⅜	3⁵⁄₁₆ - 3⁷⁄₁₆	3¾ - 3⅝
Can. Dollar	4⅝ - 4⁷⁄₁₆	4½ - 4⅜	4⅛ - 4¼	4⁷⁄₁₆ - 4⅜	4½ - 4⅜	4¹³⁄₁₆ - 4¹¹⁄₁₆
Dutch Guilder	6¼ - 6⅛	6¼ - 6⅛	6¼ - 6⅛	6³⁄₁₆ - 6¹⁄₁₆	5¹⁵⁄₁₆ - 5¹³⁄₁₆	5⅝ - 5½
Swiss Franc	4⅞ - 4⅝	4⅞ - 4⅝	4⅝ - 4½	4⁹⁄₁₆ - 4⁷⁄₁₆	4⅜ - 4¼	4⅛ - 4
D-Mark	6⅝ - 6½	6⅝ - 6½	6⅝ - 6½	6½ - 6⅜	6¼ - 6⅛	5¹³⁄₁₆ - 5¹¹⁄₁₆
French Franc	7¹⁄₁₆ - 6¹⁵⁄₁₆	7¹⁄₁₆ - 6¹⁵⁄₁₆	7 - 6⅞	6⅞ - 6¾	6½ - 6⅜	6 - 5⅞
Italian Lira	10 - 8	9¼ - 8¼	9 - 8½	9 - 8½	8¾ - 8⅜	8⅝ - 8¼
Belgian Franc	9¹⁄₁₆ - 9¹⁄₁₆	9⅜ - 9¼	9 - 8⅞	8¹⁵⁄₁₆ - 8¹³⁄₁₆	8 - 7⅞	7¼ - 7⅛
Yen	2½ - 2⅜	2½ - 2⅜	2½ - 2⅜	2⅝ - 2½	2¼ - 2⅜	2¼ - 2⅜
Danish Krone	8¾ - 8¼	8¾ - 8¼	8¼ - 7¾	8 - 7½	7¾ - 7⅜	7¼ - 6⅞
Asian $Sing	3½ - 2½	3½ - 2½	3½ - 2½	4 - 3	4 - 3	4¼ - 3¼
Spanish Peseta	10¼ - 10	10½ - 10¼	10¼ - 10	9¹⁵⁄₁₆ - 9¹¹⁄₁₆	9⅞ - 9⅝	9⅛ - 8⅞
Portuguese Esc.	12⅛ - 11⅝	12½ - 12	12¼ - 11¾	11½ - 11	11¼ - 10¾	10⅝ - 10¼

Long term Eurodollars: two years 4⅛-4¼ per cent; three years 4⅜-4⅝ per cent; four years 5⅛-4¹³⁄₁₆ per cent; five years 5³⁄₁₆-5¹⁄₁₆ per cent nominal. Short term rates are call for US Dollar and Japanese Yen, others, two days' notice.

EXCHANGE CROSS RATES

Nov.4	£	$	DM	Yen	F Fr.	S Fr.	N Fl.	Lira	C$	B Fr	Pta.	Ecu
£	1	1.480	2.510	160.3	8.745	2.225	2.815	2432	1.993	53.85	200.7	1.309
$	0.676	1	1.696	108.3	5.909	1.503	1.902	1643	1.306	36.39	135.6	0.884
DM	0.398	0.590	1	63.86	3.484	0.886	1.122	968.9	0.770	21.45	79.96	0.522
YEN	6.238	9.233	15.66	1000.	54.55	13.88	17.56	15172	12.06	335.9	1252	8.166
F Fr.	1.144	1.692	2.870	183.3	10.	2.544	3.219	2781	2.210	61.58	229.5	1.497
S Fr.	0.449	0.665	1.128	72.04	3.930	1	1.265	1093	0.869	24.20	90.20	0.588
N Fl.	0.355	0.526	0.892	56.94	3.107	0.790	1	863.9	0.687	19.13	71.30	0.465
Lira	0.411	0.609	1.032	65.91	3.596	0.915	1.157	1000.	0.795	22.14	82.52	0.538
C$	0.517	0.766	1.298	82.93	4.524	1.151	1.456	1258	1	27.86	103.8	0.677
B Fr.	1.857	2.748	4.661	297.7	16.24	4.132	5.227	4516	3.590	100.	372.7	2.431
Pta	0.498	0.737	1.251	79.87	4.357	1.109	1.403	1212	0.963	26.83	100.	0.652
Ecu	0.764	1.131	1.917	122.5	6.681	1.700	2.150	1858	1.477	41.14	153.3	1.

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100: Peseta per 100.

FINANCIAL FUTURES AND OPTIONS

LIFFE LONG GILT FUTURES OPTIONS [illegible]

LIFFE EURO SWISS FRANC OPTIONS [illegible]

LIFFE BOND FUTURES OPTIONS [illegible]

LIFFE EUROMARK OPTIONS [illegible]

LIFFE ITALIAN GOVT. BOND (BTP) FUTURES OPTIONS [illegible]

LIFFE SHORT STERLING OPTIONS [illegible]

LONDON (LIFFE)

9% NOTIONAL BRITISH GILT [illegible]

6% NOTIONAL MEDIUM TERM GERMAN GOVT. BOND [illegible]

6% NOTIONAL GERMAN GOVT. BOND [illegible]

6% NOTIONAL LONG TERM JAPANESE GOVT. BOND [illegible]

12% NOTIONAL ITALIAN GOVT. BOND (BTP) [illegible]

10% NOTIONAL SPANISH GOVT. BOND (BONOS) [illegible]

THREE MONTH STERLING [illegible]

THREE MONTH EURODOLLAR [illegible]

THREE MONTH EUROMARK [illegible]

THREE MONTH EURO SWISS FRANC [illegible]

THREE MONTH EUROLIRA INT. RATE [illegible]

FT-SE 100 INDEX [illegible]

* Contracts traded on APT. Closing prices shown.

POUND - DOLLAR

FT FOREIGN EXCHANGE RATES [illegible]

CHICAGO

U.S. TREASURY BONDS (CBT) 8% [illegible]

U.S. TREASURY BILLS (IMM) [illegible]

BRITISH POUND (IMM) [illegible]

SWISS FRANC (IMM) [illegible]

JAPANESE YEN (IMM) [illegible]

DEUTSCHE MARK (IMM) [illegible]

THREE-MONTH EURODOLLAR (IMM) [illegible]

STANDARD & POORS 500 INDEX [illegible]

PHILADELPHIA SE £/$ OPTIONS [illegible]

PARIS

7 to 10 YEAR 10% NOTIONAL FRENCH BOND (MATIF) FUTURES [illegible]

THREE-MONTH PIBOR FUTURES (MATIF) (Paris interbank offered rate) [illegible]

CAC-40 FUTURES (MATIF) Stock Index [illegible]

ECU BOND (MATIF) [illegible]

OPTION ON LONG-TERM FRENCH BOND (MATIF)

Strike	Calls December	Calls March	Calls June	Puts December	Puts March	Puts June
123	0.79	4.77	-	0.28	0.14	-
124	0.25	-	-	0.78	0.25	-
125	0.06	-	-	1.56	0.44	-
126	0.01	-	-	-	0.69	-
127	-	1.67	-	-	1.03	-
Open Int	192,931	89,159	250	189,311	77,301	230

Estimated volume 49,582 † Total Open Interest 549,182
† All Yield & Open Interest figures are for the previous day.

BASE LENDING RATES

	%		%		%
Adam & Company	6	Duncan Lawrie	6	Nykredit Mortgage Bnk	6.5
Allied Trust Bank	6	Exeter Bank Limited	7	Rea Brothers	6
AIB Bank	6	Financial & Gen Bank	7	* Roxburghe Bank Ltd	6
●Henry Ansbacher	6	●Robert Fleming & Co	6	* (In administration)	
Bank of Baroda	6	Girobank	6	Royal Bk of Scotland	6
Banco Bilbao Vizcaya	6	●Guinness Mahon	6	●Smith & Williamson Secs	6
Bank of Cyprus	6	Habib Bank AG Zurich	6	Standard Chartered	6
Bank of Ireland	6	●Hambros Bank	6	TSB	6
Bank of India	6	Heritable & Gen Inv Bk.	6	●United Bk of Kuwait	6
Bank of Scotland	6	●Hill Samuel	6	Unity Trust Bank Plc	6
Barclays Bank	6	C. Hoare & Co	6	Western Trust	6
Brit Bk of Mid East	6	Hongkong & Shanghai	6	Whiteaway Laidlaw	6
●Brown Shipley	6	Julian Hodge Bank	6	Wimbledon & Sth West	7
CL Bank Nederland	6	●Leopold Joseph & Sons	6	Yorkshire Bank	6
Citibank NA	6	Lloyds Bank	6		
City Merchants Bank	6	Meghraj Bank Ltd	6		
Clydesdale Bank	6	Midland Bank	6		
The Co-operative Bank	6	* Mount Banking	6		
Coutts & Co	6	* (In administration)			
Credit Lyonnais	6	NatWestminster	6		
Cyprus Popular Bank	6				

● Members of British Merchant Banking & Securities Houses Association

MONEY MARKETS

Short lira sold down

ITALIAN short-term interest rate futures slipped sharply yesterday in reaction to growing worries over corruption in the country.

Eurolira futures were down almost 20 basis points from Wednesday's closing level at one stage although the currency held up relatively well.

UK clearing bank base lending rate 6 per cent from January 26, 1993

International money market dealers said the selling was a response to a sharp fall in the government bond market which tends to reflect confidence in a country's political and economic stability.

It began after Italy's president Mr Oscar Luigi Scalfaro gave a television address late on Wednesday denying allegations that he had been involved in any illegal activities.

"The main selling has come from Italians. They suddenly started to fear they would be left without a president," said one London trader.

The Eurolira contract for December delivery was marked down at the opening and hit 91.30 at its weakest point late yesterday afternoon.

Elsewhere, there was some disappointment that the Bank of France left its intervention rate, the rate which sets the floor for French money market operations, unchanged at 6.45 per cent.

There had been a slim hope that it might follow the lead set by the Danish central bank which cut its discount rate by 0.25 per cent to 7 per cent on Wednesday.

In the UK, period lending rates were lower on the ripple-through effect of the third comfortable day in a row for interbank operations.

The Bank of England provided £950m of assistance at the earliest opportunity and at established rates after forecasting a liquidity shortage of around £1.2bn, later revised to £1.3bn.

The Bank provided £125m in the morning and a further £223m in the afternoon bringing total help to £1.298bn.

The ease with which the operations proceeded saw overnight money rates as low as 3.5 per cent and generally trading around 5.75 per cent.

One month and three-month rates were also lower across the board. Three month interbank rates were down ⅛ on the week at 5⅝ per cent.

However, dealers said there was no conclusion to be drawn over the direction of future lending rates. "The Bank of England is being studiously neutral over base rate at the moment," said one trader.

FT LONDON INTERBANK FIXING

(11.00 a.m. Nov.4)	3 months US dollars		6 months US Dollars
bid 3⅜	offer 3½	bid 3⁷⁄₁₆	offer 3⁹⁄₁₆

The fixing rates are the arithmetic means rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted to the market by five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK

Lunchtime		Treasury Bills and Bonds			
Prime rate	6	One month	3.01	Three year	4.37
Broker loan rate	5	Two month	3.16	Five year	5.01
Fed.funds	3	Three month	3.14	Seven year	5.23
Fed.funds at intervention	-	Six month	3.33	10-year	5.64
		One year	3.51	30-year	6.12
		Two year	4.11		

Nov.4	Overnight	One Month	Two Months	Three Months	Six Months	Lombard Intervention
Frankfurt	6.40-6.55	6.40-6.55	6.40-6.55	6.35-6.45	6.10-6.20	6.75
Paris	6¹³⁄₁₆-6¹¹⁄₁₆	6.87-7.02	-	6.74-6.89	-	6.45
Zurich	4⅝-4⅞	4½-4⅝	-	4½-4⅝	-	-
Amsterdam	6.12-6.18	6.12-6.18	-	6.07-6.13	-	-
Tokyo	2⅞-2½	2¹³⁄₁₆-2¹³⁄₁₆	-	-	-	-
Milan	8¹³⁄₁₆-9¹⁄₁₆	8¹³⁄₁₆-9¹⁄₁₆	-	8⅞-9	-	-
Brussels	9⅛-9⅞	9⅛-9⅞	-	8⅞-9	-	-
Dublin	6⁷⁄₁₆-6⁵⁄₁₆	6½-6⅜	6⅜-6½	6⅜-6½	6¼-6⅜	-

LONDON MONEY RATES

Nov 4	Overnight	7 days notice	One Month	Three Months	Six Months	One Year
Interbank Offer	5¾	5¾	5¹¹⁄₁₆	5¹¹⁄₁₆	5⅝	5⅝
Interbank Bid	4	5½	5⁹⁄₁₆	5⁹⁄₁₆	5⁹⁄₁₆	5½
Sterling CDs	-	-	5⅝	5⅝	5½	5½
Local Authority Deps.	5¼	5¼	5⅝	5⅝	5⅝	5⅝
Local Authority Bonds	-	-	-	-	-	-
Discount Mkt Deps	5½	5½	-	-	-	-
Company Deposits	-	-	-	-	-	-
Finance House Deposits	-	-	5¾	5¹¹⁄₁₆	5½	5⁷⁄₁₆
Treasury Bills (Buy)	-	-	5⅝	5½	5⅜	-
Bank Bills (Buy)	-	-	5⅝	5¹⁵⁄₃₂	5¹³⁄₃₂	-
Fine Trade Bills (Buy)	-	-	-	-	-	-
Dollar CDs	-	-	2.99	3.11	3.22	3.50
SDR Linked Dep. Offer	-	-	4⅛	4⅛	4⅛	4
SDR Linked Dep. Bid	-	-	4	4⅛	3¹³⁄₁₆	3¾
ECU Linked Dep. Offer	-	-	7⅛	7⅛	7⅛	6⅝
ECU Linked Dep. Bid	-	-	7⅛	7⅛	6¹³⁄₁₆	6⅜

Treasury Bills (sell); one-month 5⅜ per cent; three months 5⁵⁄₁₆ per cent; six months 5¼ per cent; Bank Bills (sell): one-month 5¹⁵⁄₃₂ per cent; three months 5⅜ per cent; Treasury Bills: Average tender rate of discount 5.0137 p.c. ECGD Fixed Rate Sterling Export Finance. Make up day October 29, 1993. Agreed rates for period Nov 24, 1993 to Dec 25, 1993 Schemes II & III: 7.06 p.c. Reference rate for period Oct 1, 1993 to Oct 29, 1993, Scheme IV&V: 5.820 p.c. Local Authority and Finance Houses seven days' notice, others seven days' fixed. Finance Houses Base Rate 6pc from November 1, 1993. Bank Deposit Rate for sums at 7 days notice 5⅜ p.c. Certificates of Tax Deposit (Series 6): Deposit £100,000 and over held under one month 2¾ p.c.; one-three months 5¼ p.c.; three-six months 5 p.c.; six-nine months 4¾ p.c.; nine-twelve months 4½ p.c.; Under £100,000 2¾ p.c. from Jan.27, 1993. Deposits withdrawn for cash 1¼ p.c.

MONEY MARKET FUNDS

Money Market Trust Funds

[illegible]

Money Market Bank Accounts

[illegible]

WORLD STOCK MARKETS

AUSTRIA | BELGIUM/LUXEMBOURG | DENMARK | FINLAND | FRANCE | GERMANY | NETHERLANDS | NORWAY | SPAIN | SWEDEN | SWITZERLAND | SOUTH AFRICA | JAPAN | AUSTRALIA | HONG KONG | MALAYSIA | SINGAPORE

[illegible]

CANADA

TORONTO

4 pm close November 4

Quotations in cents unless marked $

[illegible]

MONTREAL

4 pm close November 4

[illegible]

Total Sales 40,835,188 shares

INDICES

NEW YORK

DOW JONES

[illegible]

STANDARD AND POOR'S

[illegible]

NEW YORK ACTIVE STOCKS

[illegible]

TRADING ACTIVITY

[illegible]

CANADA

TORONTO

[illegible]

	Nov 4	Nov 3	Nov 2	Nov 1	1993 HIGH	1993 LOW
AUSTRALIA						
All Ordinaries (1/1/80)	2101.6	2108.4	2125.3	2132.4	2132.40 (1/11)	1495.00 (13/1)
All Mining (1/1/80)	880.6	877.4	879.0	886.4	904.50 (2/8)	594.70 (13/1)
AUSTRIA						
Credit Aktien (30/12/84)	418.78	424.03	424.59	(c)	424.59 (2/11)	300.26 (14/1)
Traded Index (2/1/91)	1069.44	1085.56	1094.43	(c)	1094.43 (2/11)	712.06 (15/1)
BELGIUM						
BEL20 (1/1/91)	1391.98	1388.87	1385.70	(c)	1391.98 (4/11)	1125.46 (4/1)
DENMARK						
Copenhagen SE (3/1/83)	355.14	354.64	351.58	349.79	355.14 (4/11)	261.80 (4/1)
FINLAND						
HEX General (28/12/90)	1590.7	1607.7	1569.4	1554.7	1607.70 (3/11)	843.10 (22/1)
FRANCE						
CAC General (31/12/81)	599.19	602.22	601.61	(c)	609.73 (26/10)	471.24 (13/1)
CAC 40 (31/12/87)	2135.97	2171.16	2169.71	(c)	2231.86 (22/10)	1772.21 (29/1)
GERMANY						
FAZ Aktien (31/12/58)	795.88	803.70	802.69	794.16	803.70 (3/11)	586.92 (14/1)
Commerzbank (1/12/53)	2278.20	2300.40	2298.50	2274.00	2300.40 (3/11)	1694.30 (14/1)
DAX (30/12/87)	2062.61	2084.36	2085.58	2062.12	2085.58 (2/11)	1516.50 (13/1)
HONG KONG						
Hang Seng Bank (31/7/64)	9204.86	9352.11†	9642.91	9629.19	9642.91 (2/11)	5437.80 (4/1)
IRELAND						
ISEQ Overall (4/1/88)	1842.52	1849.27	1820.34	1797.05	1849.27 (3/11)	1191.19 (11/1)
ITALY						
Banca Com. Ital. (1972)	567.69	578.68	579.75	(c)	632.86 (30/8)	446.33 (6/1)
MIB General (4/1/93)	1251.0	1275.0	1277.0	(c)	1390.00 (30/8)	992.00 (11/1)
JAPAN						
Nikkei (16/5/49)	18949.79	(c)	19381.24	19458.24	21148.11 (13/9)	16287.45 (25/1)
Tokyo SE (Topix) (4/1/68)	1604.08	(c)	1621.87	1619.75	1698.67 (3/9)	1250.06 (25/1)
2nd Section (4/1/68)	2064.85	(c)	2077.26	2083.07	2384.97 (7/6)	1651.72 (26/1)
MALAYSIA						
KLSE Composite (4/4/86)	977.06	982.03	972.36	967.05	982.03 (3/11)	614.28 (13/1)
NETHERLANDS						
CBS Tt.Rtn.Gen.(End 1983)	419.3	418.0	416.5	413.5	419.30 (4/11)	295.70 (4/1)
CBS All Shr (End 1983)	272.0	271.2	270.2	268.3	272.00 (4/11)	198.60 (13/1)
NORWAY						
Oslo SE (Ind) (2/1/83)	1031.59	1034.23	1034.39	1027.81	1034.93 (29/10)	669.93 (27/1)
PHILIPPINES						
Manila Comp (2/1/85)	2446.74	2467.50	(c)	(c)	2467.50 (3/11)	1270.68 (4/1)
SINGAPORE						
SES All-Singapore (2/4/75)	548.12	554.6	558.95	584.35	584.35 (1/11)	394.10 (13/1)
SOUTH AFRICA						
JSE Gold (28/9/78)	1798.0♥	1726.0	1703.0	1700.0	2098.00 (30/7)	775.00 (5/1)
JSE Industrial (28/9/78)	4582.0♥	4581.0	4557.0	4539.0	4719.00 (6/7)	4333.00 (19/4)
SOUTH KOREA**						
Korea Comp Ex. (4/1/80)	766.55	756.87	759.42	761.76	777.25 (9/9)	605.93 (6/3)
SPAIN						
Madrid SE (30/12/85)	308.70	308.39	307.17	(c)	310.28 (22/10)	215.60 (4/1)
SWEDEN						
Affarsvarlden Gen. (1/2/37)	1435.10	1433.30	1414.00	1425.90	1435.10 (4/11)	879.10 (28/1)
SWITZERLAND						
Swiss Bank Ind. (31/12/58)	1170.16	1184.49	1179.94	1171.59	1184.49 (3/11)	904.80 (11/1)
SBC General (1/4/87)	926.67	937.60	932.68	925.18	937.60 (3/11)	678.70 (11/1)
TAIWAN**						
Weighted Price (30/6/66)	4280.55	4283.34	4227.85	(c)	5013.28 (7/4)	3098.43 (8/1)
THAILAND						
Bangkok SET (30/4/75)	1284.93	1303.39	1357.75	1326.16	1357.75 (2/11)	818.84 (1/6)
WORLD						
M.S. Capital Intl.(1/1/70) $	599.2*	604.1	605.3	604.0	607.10 (15/10)	498.60 (13/1)
Euro Top-100 (26/6/90)	1161.05	1170.26	1170.57	1170.98	1175.45 (22/10)	862.73 (13/1)

**Saturday October 30: Taiwan Weighted Price, 4131.68, Korea Comp Ex 750.72. ♥ Subject to official recalculation. † Correction. *Calculated at 15.00 GMT.

Base values of all indices are 100 except Austria Traded, BEL20, HEX Gen., MIB Gen., CAC40, Euro Top-100, ISEQ Overall and DAX - 1,000, JSE Gold - 255.7, JSE 20 Industrials - 264.3 and Australia All Ordinary and Mining - 500; (c) Closed. (u) Unavailable

TOKYO - Most Active Stocks

Thursday, November 4, 1993

	Stocks Traded	Closing Prices	Change on day
Nippon Steel	3.7m	325	-1
Sumitomo Mtl Min	3.4m	803	-27
Kansai Ele Py	3.0m	892	-92
Matsushita El Ind	2.8m	1,450	-20
Toshiba Corp	2.5m	700	-8
Nippon Oil	2.4m	726	-22
Mitsubishi Heavy	2.3m	664	-6
Seiyu Kangyo Bk	2.1m	1,470	
Hitachi	2.0m	831	-22
Kawasaki Steel	2.0m	324	-70

4 pm close November 4

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

1993 High	Low	Stock	Div	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
35	26⅞	Belding Hy	0.64	2.1	34	32	30¼	30⅛	30¼	
69	49½	BellAtl	2.68	4.2	18	10806	64½	63⅝	64⅛	+⅛
19¼	9½	Bell In	0.40	2.3	20	587	18½	17½	17⅝	-⅞
63¾	50⅞	BellSth	2.76	4.6	18	2935	61¼	60⅛	60½	-⅞
49⅝	38¾	Belo A	0.56	1.3	21	358	45⅛	44¾	44¾	-½
27⅞	19⅞	Bemis	0.50	2.5	24	184	21¼	20¼	20¼	-1⅛
68	54	Benef 4.3P	4.30	6.4		3	67½	66¾	66¾	-¼
81	62½	Benef	2.80	3.6	12	891	77¼	76	76⅞	-¼
32½	18¾	Benetton A	0.42	1.5	17	3	28⅝	28⅝	28⅝	-⅞
1⅛		Benguet B	0.04	4.3	7	1703				+
14¼	8⅝	Berry Pet	0.60	6.8	63	19	9	8⅞	8⅞	
62⅞	21½	Best Buy			43	4775	62¼	58¼	58½	-3½
29⅝	25¼	Beth St 2	2.50	9.3		30	27⅜	27	27	-⅜
57⅞	50¼	Bethlhm Pf	5.00	9.5		22	53	52¾	52¾	-1
20⅞	12⅞	BethSt	0.40	2.4	14	3635	16¾	16⅛	16¾	+⅜
62⅞	42¾	Betz Lx	1.40	3.3	17	742	43⅛	43	43	
14¾	9¼	BevEnt			101	5580	11⅞	10¾	11⅛	
35½	15¾	Biocraft	0.10	0.3	67	564	34⅝	34⅛	34¼	+¼
27½	20¼	Birmngm S	0.40	1.7	50	863	23⅝	23⅜	23⅜	+⅛
22¼	16⅝	BlDeck	0.40	2.0	27	1383	20⅛	19¾	19⅞	-⅛
33¼	23⅞	Black H PL	1.28	5.6	13	176	24⅛	22⅞	23	-⅞
11	10⅛	BlckrckAdv	0.82	7.8		232	10¾	10⅝	10⅝	
9½	8⅝	BlckrckInc	0.85	9.9		627	8⅝	8½	8⅝	+⅛
10½	10	BlckrckTgt	0.80	7.8		622	10⅜	10¼	10¼	-⅛
55	31⅞	Block	1.12	2.8	23	1586	40¼	39⅞	39⅞	-⅛
30⅛	15⅞	BlockD	0.10	0.4	28	6316	29⅛	28¾	28⅞	-⅝
8⅝	7⅝	Blue Chip	0.80	10.0		104	8	7⅞	8	-⅛
16¾	9¼	BMC Inc			10	65	16⅛	15⅞	15⅞	-½
41	33⅞	Boeing	1.00	2.7	9	5337	37⅞	37⅜	37⅜	-⅜
27⅛	19½	BoiseC	0.60	2.8	6	729	21½	21⅛	21⅜	

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NYSE COMPOSITE PRICES

4 pm close November 4

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Price data supplied by Telekurs

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NASDAQ NATIONAL MARKET

4 pm close November 4

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AMEX COMPOSITE PRICES

4 pm close November 4

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AMERICA

Bond market worries keep Dow depressed

Wall Street

US STOCK markets settled down yesterday after Wednesday's big sell-off, but with investor sentiment subdued and bond yields rising, prices traded mostly weaker across the board, *writes Patrick Harverson in New York.*

At 1pm, the Dow Jones Industrial Average was down 5.03 at 3,656.84. The more broadly based Standard & Poor's 500 was down 1.51 at 461.51, while the Amex composite was 1.30 lower at 480.40, and the Nasdaq composite down 5.36 at 767.59. Trading volume on the NYSE was 182m shares by 1pm.

Wednesday's big declines – the Dow fell by 36 points and the Nasdaq composite by 12 points, or 1.5 per cent – were prompted primarily by concern about rising long-term interest rates.

The bond market has declined sharply in recent days, pushing up longer-dated yields, because fixed-income investors are worried that resurgent economic growth could eventually lead to higher inflation and tighter monetary policy.

Those worries were again evident yesterday, with the 30-year bond posting fresh declines and the yield rising to 6.12 per cent.

Investor sentiment was sufficiently weak that the markets ignored the news that jobless claims fell by 10,000 in the final week of last month, a figure which suggests that today's all-important October employment report will show continued growth in non-farm payrolls.

Bank stocks, which have taken a hammering recently because of rising bond yields, were mixed.

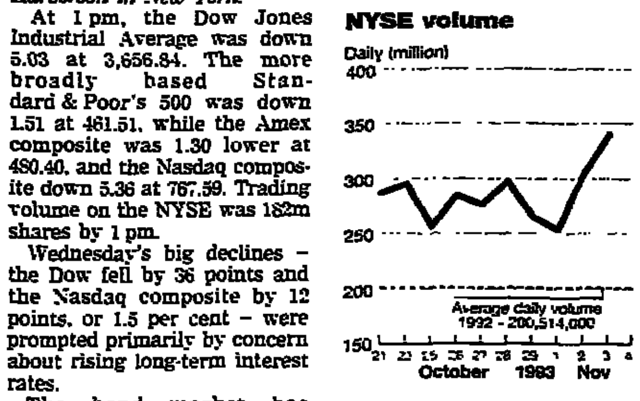
Chemical fell $⅜ to $39, and Chase Manhattan eased $⅛ to $31¾, but Citicorp rose $⅛ to $35¼ and JP Morgan added $⅛ at $70⅞.

Retailers were also mixed following an inconsistent batch of sales data. Gap Stores, where sales dropped slightly last month, fell $⅞ to $35⅛. Sears, Roebuck firmed $⅝ to $55⅝ on news of stronger same-store sales, while the Limited eased $⅛ to $20⅞ and JC Penney held firm at $50⅝.

Cyclical stocks rebounded from recent weakness. Minnesota Mining & Manufacturing rose $⅝ to $104⅛. Aluminum Company of America added $⅞ to $67⅝, Caterpillar firmed $⅝ to $91⅝ and Allied-Signal put on $⅝ at $71⅛.

On the Nasdaq market, technology stocks were lower. Intel fell $1 to $59⅞. Microsoft slipped $⅛ to $78 and Apple gave up $⅞ at $31⅛.

NYSE volume



Canada

TORONTO edged marginally ahead at noon, with the TSE 300 index 3.98 higher at 4,248.72 in volume of 40m shares.

Among actively traded issues, Mitel shed C$⅛ to C$8⅝, Alcan eased C$⅛ to C$26⅛ and Lac Minerals rose C$⅛ to C$9⅞.

Foreign investment draws US converts

Bessemer Trust finds attraction in emerging markets, writes **William Cochrane**

John Trott invests big bucks in international equities for the rich and famous, most of them Americans. He has nothing in Japan and nothing in German manufacturing industry; but he exemplifies the US conversion to foreign portfolio investment, and to emerging markets in particular.

Mr Trott manages, from London, the $1bn international component of the US-based Bessemer Trust, which has $8.5bn under direct management and numbers Mr George Bush, the former US president, among its clients. Mr Trott says that expectations in Japan and Germany for the next five years are just too high.

Bessemer was founded in 1906 by Mr Henry Phipps, one of Andrew Carnegie's partners in the development of the US steel industry, to manage Phipps family money. The name marks the process of converting molten pig iron into steel which the Carnegie interests licensed from Sir Henry Bessemer, the British metallurgist, who invented the process.

The group recommends to its clients that 40 per cent of their equity investment funds go into international markets. The international fund itself has about 40 per cent of its money in emerging markets, although these account for not much more than 5 per cent of EAFA (Morgan Stanley Capital International's Europe, Australian and Far East index, a standard measure for US investors active overseas).

John Trott came to Bessemer at the beginning of 1992, extending a trend which began in 1975 when Mr John Whitmore, now chairman of Bessemer, joined. One reason for Mr Whitmore's recruitment was to widen the trust's client base; outside investors' money is now important in the overall scheme of things.

Mr Trott came in from Kleinwort Benson, which formerly managed the international fund, to increase further the international presence of the group. When he joined, Bessemer had $600m in non-US securities; he has lifted that to just over $1bn in less than two years.

Emerging markets, says Mr Trott, are at much the same stage now as Japan was in the 1960s, when it put up its best equity performance: what it had included a growing economy, the work ethic, a strong currency, relatively undervalued equities and a government which provided the framework for economic growth.

John Trott: keen on Hong Kong, bearish on Japan

Bessemer will not put more than 10 per cent of the international fund into any one emerging market. It does, however, have 10 per cent in Hong Kong, which is not classified traditionally as an emerging market, although Mr Trott thinks that the colony recently has behaved like one, and that it will do so in future.

He is keen on Hong Kong, from which, he says, the wealth of China will initially flow to the outside world. China's nascent mainland markets in Shanghai and Shenzhen will develop, he says, but at this stage they are relatively illiquid. He does not think Hong Kong is as potentially volatile as Mr Peter Everington, managing director of Regent Fund Management, indicated recently.

In effect, Mr Everington said the Hang Seng index, which peaked at 9,642.91 this week, up by more than 25 per cent since the end of September, could hit 12,800 soon on the tremendous inflow of US funds into the colony, or fall to 5,000 in relatively short order on a more bearish assessment which includes the future of the Hong Kong dollar-US dollar peg.

Bessemer is bearish on Japan. Mr Trott estimates that the Tokyo market is on a p/e ratio of around 85, and says its supporters tell their friends to look at prospective earnings: if these get back to the peak returns of the late 1980s, they say, the p/e would cut to a third of its present level.

That, says Mr Trott, would still be 28; and in any case, he argues, there is no way that the Japanese corporate sector will get back to those exceptional rates of return, which came from an undervalued yen, economic growth and a cost of capital which virtually came down to nil. In addition, he does not like the apparent public funds support for the market.

Bessemer has been out of Japan for the past six months. This may look silly, given that the FT-Actuaries indices, in dollar terms, show Japan with a gain of 40 per cent on the year to date, 15 percentage points of that advance coming from the appreciation of the yen against the dollar.

But, says Mr Trott, in the 12 months to September 30 last, Bessemer's international fund shows a gain of 29 per cent against the EAFA benchmark figure of 24 per cent. Within the EAFA figure, he notes, the Japan weighting was 59 per cent.

While Bessemer looks after international equities from its London office, 95 per cent of its clients invest US dollars, and have US dollar liabilities. "We have to look after that," says Mr Trott. "If we believe the dollar is undervalued, we will have to hedge our foreign currency investments back into dollars – although we will take the currency risk if it looks good."

ASIA PACIFIC

Nikkei falls as investors adjust to new index

Tokyo

SHARE prices plunged on late afternoon arbitrage trading, and the Nikkei average fell 2.2 per cent, closing below the 19,000 level for the first time in eight months, *writes Emiko Terazono in Tokyo.*

The 225-share index ended 431.46 down at the day's low of 18,949.79, having risen to a high of 19,435.24 in the morning. Selling centred on Nikkei 225 stocks which had not been included in the new Nikkei 300, and the Topix index fell less sharply, by 17.79, or 1 per cent, to 1,604.08. In London the ISE/Nikkei 50 index eased 0.90 to 1,277.58.

Analysts expect further selling of Nikkei 225 stocks as investors shift positions to the new index. "There is more than Y1,400bn in outstanding arbitrage buying positions, of which 60 per cent is held against the Nikkei 225," said one fund manager.

Volume came to 230m shares, against Wednesday's 206m, and falls overwhelmed advances by 902 to 118, with 142 issues unchanged.

East Japan Railway came under selling pressure along with other railway issues, and fell Y3,000 to Y492,000. Keisei Electric Railway shed Y92 to Y892 and Tokyu Y42 to Y730.

Nippon Telegraph and Telephone closed Y11,000 lower at Y829,000. Other telecom issues were also weak, with KDD slipping Y200 to Y12,400.

Margin traders who had bought stocks at higher levels six months earlier were forced to liquidate holdings. Tokyo Electric Power declined Y50 to Y3,390 on margin-linked selling, as did Sumitomo Metal Mining, Y27 lower at Y803.

Nikkei 225 components not adopted for the 300-issue index fell back, Mitsui Mining by Y29 to Y513 and Toagosei Chemical by Y36 to Y469.

Financials, which held up against overall selling during most of the day, eased just before the close. Sakura Bank lost Y10 to Y1,690 and Nikko Securities Y20 to Y1,160.

In Osaka, the OSE average declined 250.08 to 21,239.69 on selling by margin traders, in volume of 19.1m shares.

Roundup

A WAVE of profit-taking left the region mostly lower.

HONG KONG lost ground for the second consecutive day but met support at lower levels.

The Hang Seng index finished 147.23, or 1.5 per cent, down at 9,294.88 after bargain hunters pulled it back from a day's low of 9,189.

MANILA retreated on a long-awaited correction, with Philippine Long Distance Telephone's overnight fall on Wall Street triggering a bout of profit-taking.

The local price of PLDT dipped 55 pesos to 1,855 pesos and the composite index shed 30.8 from the record high established on Wednesday, to 2,446.74.

TAIWAN also saw heavy profit-taking after its 10 per cent gain over the last three weeks, in spite of continued hopes that the central bank might decide to ease credit further at its board meeting this afternoon. The weighted index closed 22.78 lower at 4,260.56.

Active foreign buying was seen in Acer, which moved ahead 60 cents to T$27.30.

BANGKOK's SET index finished 18.46, or 1.4 per cent, down at 1,284.93 in turnover of Bt18.16bn, but after having picked up from a day's low of 1,257.64.

AUSTRALIA ended weaker for the third consecutive day, although some late bargain hunting enabled the All Ordinaries index to pull back from its worst level to finish 6.8 lower at 2,101.6.

SINGAPORE relinquished some ground as profits were taken after Wednesday's record high. The Straits Times Industrial index shed 3.58 to 2,123.8.

KUALA LUMPUR was unable to maintain an early positive tone and the composite index fell 4.37 to 977.8.

JAKARTA went against the trend as foreign and local investors' actively bought banking stocks. The composite index climbed 16.50 to a year's high of 500.75.

Bank Duta rose Rp875 to Rp4,300, while Bank Internasional Indonesia added Rp775 at Rp6,800.

SEOUL rebounded amid late institutional buying of manufacturing blue chip stocks, and the composite index gained 9.68 at 766.55.

EUROPE

Overseas weakness leaves senior bourses in decline

AN overnight fall in Tokyo and a weak Wall Street opening led most bourses lower, *writes Our Markets Staff.*

AMSTERDAM eased back slightly in spite of a warm reception for Philips' third quarter results. The CBS Tendency index lost 0.5 to 139.5, after a day's high of 139.8.

Mr Ian Blackford of NatWest Securities said that the results were in line with expectations, suggesting that restructuring and cost-cutting measures were now paying off. The shares added Fl 1.10 to Fl 41.40 and Mr Blackford saw the results providing an impetus for the price to test the Fl 50 level. Polygram put on 30 cents to Fl 74.10.

KLM, which released satisfactory second quarter figures but cautioned against expectations of substantially stronger full year results, lost 20 cents to Fl 41.70, after an earlier high of Fl 43.70. Mr Richard Brakenhoff of brokers Pierson noted that the airline's fate depended either on the success of the Alcazar talks or its ability to form links with another European airline. "It needs a European market share of about 10 per cent," he said, "and at the moment it has just 3 per cent." He remained a seller of the stock and commented that the airline had a long way to go in reducing its cost base.

Akzo, confirming that it was holding merger talks with Nobel Industries of Sweden, gained Fl 5.30 to Fl 199.50.

FRANKFURT moved from consolidation to correction as the DAX index dropped 21.75 to 2,062.61, turnover falling from DM8.9bn to DM8bn.

Economic indicators were not good. The director of the German Chambers of Commerce and Industry (DIHT), Mr Franz Schoser, said on Wednesday that he saw a 0.5 per cent contraction in western Germany in 1994, compared to the German economic research institutes' 1.5 per cent growth estimate.

Among blue chips, a minor chemicals leak at BASF's main plant followed Wednesday's news that talks to sell its acrylics business had broken down. The shares fell DM15 to DM275.

PARIS fell back in the absence of major corporate news. The CAC-40 index shed 35.19 or 1.6 per cent to 2,135.97 in turnover of some FFr4.4bn.

Roussel-Uclaf, which pleased analysts with its nine month results after hours on Wednesday, went against the trend with a rise of FFr10 to FFr693. Goldman Sachs upgraded its earnings, said that it should outperform the market and looked for a 12-month price target of around FFr855.

MILAN had a day of political high drama after President Oscar Luigi Scalfaro's television appearance to deny corruption allegations, claiming that they were part of a plot to destabilise the country.

The Comit index shed 10.99 to 567.69 in thin trading. Mr John Stewart of InterEuropa in Milan commented that the market had held up well in the face of the day's events although he noted that the index had finished at a technical support level.

Mr Stewart added that the developments had complicated the country's political and economic outlook. A volatile political situation was likely to delay passage of the budget, which in turn could hold up planned elections next year.

Stet fell L114 to L4,002, dragged down by an anti-trust ruling that prevents Sip from developing or marketing its digital phone system. Sip fell L49 to L3,440 in heavy volume of 16m shares.

ZURICH shed 1.6 per cent as foreign investors took profits in blue chips, leaving the SMI index 43.7 lower at 2,706.6.

Among the most actively traded blue chips, Roche certificates fell SFr110 to SFr5,745, Nestlé gave up SFr19 at SFr1,774 and Zurich Insurance SFr15 at SFr1,410.

Swiss Re registered shares eased SFr10 to SFr3,870 as the company forecast improved 1993 figures and good prospects for 1994.

BRUSSELS closed at a new high for the third time this week, edging up 3.12 to 1,391.99 in turnover of some BFr1.9bn. Options-linked basket buying reversed early losses in the cash market, following major transactions in the Bel-20 index contract. Industrials led the gains with Bekaert, the steel cord and wire maker, up BFr525 to BFr20,350.

FT-SE Actuaries Share Indices — THE EUROPEAN SERIES

November 4	Open	10.30	11.00	12.00	13.00	14.00	15.00	Close
Hourly changes								
FT-SE Eurotrack 100	1366.69	1367.71	1368.12	1367.01	1368.53	1366.11	1368.05	1369.93
FT-SE Eurotrack 200	1429.05	1429.45	1429.96	1431.12	1432.61	1430.35	1432.30	1432.46

	Nov 3	Nov 2	Nov 1	Oct 29	Oct 28
FT-SE Eurotrack 100	1381.11	1382.36	1375.31	1374.61	1369.48
FT-SE Eurotrack 200	1442.07	1444.39	1440.75	1439.46	1435.53

Base value 1000 (26/10/90) High/day: 100 - 1369.72; 200 - 1433.41 Low/day: 100 - 1365.15 200 - 1428.32

SOUTH AFRICA

GOLD shares extended their gains on steady local and foreign buying and the index ended 72 up at 1,798. Industrials put on 1 at 4,562 and the overall index rose 32 to 3,978. Kloof gained R3 at R45 and Gencor 65 cents at R10.45.

Written and edited by William Cochrane, John Pitt and Michael Morgan.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co. and NatWest Securities Limited in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	WEDNESDAY NOVEMBER 3 1993								TUESDAY NOVEMBER 2 1993					DOLLAR INDEX		
Figures in parentheses show number of lines of stock	US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	1993 High	1993 Low	Year ago (approx)
Australia (69)	161.48	–0.4	161.71	109.47	142.13	158.85	–0.8	3.26	162.12	162.13	110.16	142.82	160.07	162.83	117.39	115.22
Austria (17)	178.07	–0.4	178.32	120.72	156.74	156.70	–0.7	1.01	178.87	178.88	121.55	157.58	157.74	184.47	131.16	146.12
Belgium (42)	152.84	+1.0	153.06	103.61	134.53	136.64	+0.2	4.21	151.27	151.28	102.78	133.26	136.35	156.76	131.19	138.37
Canada (107)	133.89	–0.3	134.08	90.77	117.84	126.91	–0.1	2.63	134.34	134.35	91.28	118.34	127.05	134.34	111.41	118.72
Denmark (32)	240.48	+0.8	240.82	163.04	211.67	221.02	+0.5	1.03	238.58	238.60	162.13	210.18	219.93	240.48	165.11	187.21
Finland (23)	128.99	+3.2	129.17	87.45	113.54	156.25	+2.8	0.67	125.00	125.00	84.94	110.12	151.93	128.99	65.50	71.64
France (98)	166.85	+0.3	167.09	113.11	146.85	154.49	+0.0	3.01	166.43	166.44	113.09	146.61	154.42	173.05	142.72	149.40
Germany (60)	134.35	–0.2	134.54	91.09	118.25	118.25	–0.3	1.79	134.67	134.68	91.52	118.64	118.64	136.13	101.59	103.44
Hong Kong (55)	376.17	–2.8	376.71	255.02	331.12	373.18	–2.8	2.92	386.88	386.91	262.89	340.85	383.78	386.88	218.82	259.01
Ireland (14)	177.78	+1.8	178.03	120.53	156.48	179.06	+1.7	3.13	174.61	174.62	118.65	153.82	176.05	177.78	129.28	129.14
Italy (70)	67.89	–0.8	67.99	46.02	59.76	82.90	–1.0	2.02	68.41	68.41	46.48	60.26	83.76	78.93	53.78	57.84
Japan (469)	152.13	+0.2	152.34	103.13	133.92	103.13	+0.0	0.80	151.77	151.78	103.13	133.72	103.13	165.91	100.75	105.55
Malaysia (69)	486.01	+1.7	486.69	329.47	427.76	479.45	+1.7	1.43	477.85	477.87	324.69	420.95	471.31	486.01	251.66	280.58
Mexico (19)	1852.51	+0.1	1855.12	1255.90	1630.55	6331.51	+0.0	0.78	1850.14	1850.25	1257.22	1629.91	6331.51	1867.70	1410.30	1448.55
Netherland (25)	196.70	+0.5	196.98	133.35	173.14	170.57	+0.3	3.21	195.74	195.75	133.01	172.45	170.06	196.70	150.39	151.52
New Zealand (13)	68.17	–0.3	68.27	46.22	60.01	65.23	–0.3	3.40	68.36	68.37	46.46	60.23	65.44	68.38	40.56	37.95
Norway (23)	182.71	+0.1	182.96	123.87	160.82	182.21	–0.3	1.40	182.60	182.61	124.08	160.87	182.78	185.10	137.71	134.15
Singapore (38)	322.67	–0.1	323.12	218.75	284.00	235.98	–0.3	1.43	323.03	323.05	219.51	284.58	236.62	332.55	207.04	199.56
South Africa (60)	211.54	–0.1	211.83	143.41	186.19	198.70	+0.9	2.68	211.70	211.71	143.85	186.49	196.88	218.72	144.72	141.24
Spain (42)	142.37	+0.4	142.57	96.52	125.31	146.20	+0.4	4.04	141.79	141.80	96.35	124.91	145.55	145.24	115.23	109.54
Sweden (36)	202.80	+1.4	203.09	137.49	178.51	245.06	+1.1	1.38	200.04	200.05	135.93	176.23	242.31	208.92	149.70	158.41
Switzerland (50)	147.24	+0.4	147.44	99.82	129.61	137.06	+0.4	1.58	146.71	146.72	99.70	129.26	136.47	148.18	108.91	109.84
United Kingdom (218)	189.83	–0.2	190.10	128.68	167.07	190.10	–0.1	3.75	190.23	190.24	129.25	167.57	190.24	193.97	162.00	165.94
USA (519)	188.45	–1.2	188.72	127.76	165.88	188.45	–1.2	2.74	190.78	190.79	129.64	168.08	190.78	191.56	175.38	170.40
Europe (750)	160.92	+0.1	161.15	109.10	141.65	155.21	+0.0	2.92	160.79	160.80	109.26	141.66	155.16	162.97	133.92	133.71
Nordic (114)	193.12	+1.4	193.39	130.92	169.98	202.75	+1.1	1.21	190.46	190.47	129.42	167.79	200.51	194.54	142.13	144.38
Pacific Basin (713)	160.60	+0.1	160.83	108.88	141.36	113.13	–0.2	1.07	160.52	160.53	109.08	141.42	113.32	168.80	105.89	110.71
Euro-Pacific (1463)	160.62	+0.1	160.85	108.89	141.37	129.93	–0.1	1.83	160.52	160.53	109.07	141.41	130.04	162.86	117.26	120.02
North America (626)	185.05	–1.2	185.31	125.46	162.90	184.23	–1.2	2.73	187.26	187.27	127.26	165.00	186.41	187.68	171.51	167.18
Europe Ex. UK (532)	142.17	+0.3	142.37	96.40	125.16	134.43	+0.1	2.39	141.79	141.80	96.37	124.94	134.30	143.73	112.51	114.19
Pacific Ex. Japan (244)	242.64	–1.0	242.98	164.52	213.59	223.78	–1.1	2.66	245.12	245.13	166.59	215.96	226.34	245.12	152.70	161.41
World Ex. US (1649)	161.35	+0.1	161.57	109.39	142.02	132.16	–0.1	1.86	161.26	161.27	109.59	142.07	132.25	162.89	118.51	120.99
World Ex. UK (1950)	167.38	–0.4	167.62	113.48	147.34	145.73	–0.5	2.02	168.13	168.14	114.28	148.14	146.53	168.66	134.22	133.94
World Ex. So. Af. (2108)	169.19	–0.4	169.42	114.71	148.93	149.25	–0.5	2.18	169.91	169.92	115.47	149.70	150.02	170.46	137.29	136.80
World Ex. Japan (1699)	180.39	–0.7	180.65	122.31	158.81	176.52	–0.7	2.77	181.67	181.68	123.46	160.07	177.78	181.67	157.47	154.48
The World Index (2168)	169.36	–0.4	169.60	114.82	149.08	149.71	–0.5	2.18	170.09	170.10	115.58	149.85	150.45	170.68	137.32	136.72

Latest prices were unavailable for this edition. Japanese market closed November 3.

RECRUITMENT

JOBS: Survey shows that at least 40 other cities rank ahead of London in expensiveness league

How living costs vary worldwide

AT LAST the multitudinous globe-trotters among the FT's readership can cease tapping their hooves impatiently, not to mention telephoning to demand "where is it?" What they've been waiting for is in the table down to the right: the latest indicators of international living costs as calculated by the P-E International consultancy.

The reason why they are appearing two months later than usual is that the consultancy has expanded its regular survey to include far more than basic cost data. To compensate for the delay, however, it is allowing the Jobs column not only to print extracts from the study several days ahead of official publication, but to give figures for 75 different places around the world instead of 60 as before.

That is still barely more than half the number, 143 cities in 118 countries, covered by the study. Anyone wanting information on other places should contact Joanna Pawulska-Saunders of P-E's centre for management research at Park House, Wick Rd, Egham, Surrey TW20 0HW; tel (0)784 43441, fax (0)784 437828. The price of the report is £500.

My table gives three figures for each of the cities included. The first is an indication of the local cost of a "basket" of goods and services typically bought by executives, and represented by an index based on London prices at 100. Next comes the most recent official rate of inflation to hand when the data were compiled. The third – the exchange rate at which the other currencies have been converted to sterling – will strike most readers as having an antique and in some cases nostalgic look. After all, 172.75 yen and even 1.52 US dollars are appreciably more than £1 will buy now.

The explanation is that the rates of exchange given in the table are those which prevailed on the date when the original information on price levels was collated: to wit, April 5. And my excuse for refraining from adjusting them is not just pressure of work, but also a foreboding based on past experience that, had I done so, something would have happened to change them all again in hours. For instance, the appearance of the indicators three years ago coincided with Iraq's invasion of Kuwait, and my update of the following January with the onset of the Gulf war.

Besides, although the cost-index figures in the table reflect the April exchange rates, there is a simple way of adjusting the indices in line with changes in currency values. Except in countries with soaring inflation, of course, the prices of the sorts of goods and services covered by the survey change only slowly. So the basic cost data collected last spring should in most cases remain a tolerable guide to reality until at least the end of the year.

To compensate for currency-market movements in the meantime, all that is needed is a two-step calculation. First take the exchange rate given in the table, and divide it by the rate currently in force. Then multiply the result by the table's index figure and, hey presto, you are up to date.

As an example, since the yen rate was down from 172.75 to 160.25 last Monday night, Tokyo's index was up from 179.8 to 193.8, and Osaka's from 172.1 to 185.5. So whereas the difference between them from the Brits' angle was previously 7.7 points, it is now 8.3 – the same as the gap between London's 100 and the 91.7 of Birmingham, which is included in the study for the first time.

Another innovation is that the latest report provides some compensation for a weakness affecting all surveys of world living expenses that I have come across to date. It is that, because of the difficulty in devising an internationally consistent yardstick of housing costs, the surveys take no account of that important outlay at all.

While the same remains true of the indices I've printed, P-E has joined with the Hamptons Relocation consultancy – which operates world-wide from its base in Swindon – to give information on accommodation costs in 46 cities. Here is a sample, showing the typical range of monthly rents apparently charged for an unfurnished three-bedroom apartment (prices in sterling at the exchange rates of April 5):

City	Range in £	Mid-point
Paris	1,580 – 3,400	£2,490
London	1,800 – 2,600	£2,200
Frankfurt	1,030 – 2,680	£1,855
Dubai	985 – 1,525	£1,255
Madrid	870 – 1,450	£1,160
Barcelona	695 – 1,155	£925
Stockholm	780 – 1,050	£915
Grenada	530 – 790	£660
Washington	600 – 660	£630
Johannesburg	410 – 680	£545
Jerusalem	495 – 595	£545
Panama	330 – 400	£365

Michael Dixon

Place	Living cost index	Inflation %	Exch'ge rate £1 =
Japan, Tokyo	179.8	0.9	172.75
Japan, Osaka	172.1	0.9	172.75
Congo, Brazzaville	140.7	1.8	411.63
Norway, Oslo	137.8	2.6	10.34
Libya, Tripoli	135.0	8.0	0.45
Liberia, Monrovia	128.9	4.5	1.52
Denmark, Copenh'n	128.8	1.1	9.33
Ivory Cst, Abidjan	128.4	2.9	411.63
Switzerland, Geneva	127.1	3.8	2.25
Switzerland, Zurich	123.2	3.8	2.25
Hong Kong, Victoria	122.9	8.5	11.75
Austria, Vienna	119.2	3.9	17.05
Taiwan, Taipei	118.4	3.1	39.67
Seychelles, Victoria	117.2	1.5	7.75
France, Paris	115.6	2.1	8.23
Bahamas, Nassau	115.4	2.9	1.52
Cuba, La Havana	113.6	7.0	1.15
USA, S Francisco	113.6	3.2	1.52
Spain, Madrid	113.3	4.6	173.15
Belgium, Brussels	112.8	2.9	50.05
Germany, Frankfurt	112.8	4.3	2.43
USA, New York	112.8	3.2	1.52
Sweden, Stockholm	111.5	5.1	11.51
USA, Los Angeles	109.8	3.2	1.52
Germany, Berlin	109.6	4.3	2.43
France, Lyon	108.5	2.1	8.23
S Arabia, Riyadh	107.8	2.3	5.70
Netherlands, A'dam	107.2	2.3	2.73
Luxembourg	106.1	3.8	50.05
S Arabia, Jeddah	105.9	2.3	5.70
S Korea, Seoul	104.8	4.8	1,210.53
Grenada	104.3	4.6	4.10
USA, Washington	103.7	3.2	1.52
Spain, Barcelona	102.6	4.6	173.15
Antigua	102.5	7.0	4.10
Ireland, Dublin	102.2	1.9	1.00
Barbados, Bridget'n	101.0	3.2	3.05
Portugal, Lisbon	100.4	6.2	224.25
Singapore	100.2	2.4	2.47
Italy, Milan	100.1	4.0	2,412.75
UK, London	100.0	1.3	1.00
Bahrain, Manama	98.0	0.4	0.57
UAE, Dubai	97.9	3.0	5.58
Mexico City	97.7	10.1	4.70
Thailand, Bangkok	97.5	3.6	38.38
Finland, Helsinki	97.4	2.5	8.84
Italy, Rome	97.1	4.0	2,412.75
Kuwait	97.1	11.2	0.46
Canada, Vancouver	97.0	1.8	1.92
Israel, Tel Aviv	96.8	11.0	4.19
UAE, Abu Dhabi	96.6	3.0	5.58
Oman, Muscat	95.8	3.4	0.58
Canada, Toronto	94.8	1.8	1.92
Qatar, Doha	94.2	3.0	5.52
Morocco, C'blanca	93.8	4.7	13.33
Jordan, Amman	93.4	3.3	1.04
Philippines, M'ila	93.4	7.4	38.31
Australia, Sydney	92.7	1.2	2.17
China, Beijing	92.3	11.0	8.75
UK, Birmingham	91.7	1.3	1.00
Malaysia, K Lumpur	90.3	4.5	3.94
Brunei	88.7	2.5	2.47
Trinidad, P of Sp'n	86.8	6.7	6.45
N Zealand, Well'ton	86.7	0.9	2.85
India, Bombay	85.4	6.1	47.18
Czech R, Prague	85.0	10.3	43.31
Indonesia, Jakarta	85.0	9.6	3,149.68
Fiji, Suva	84.4	7.0	2.34
S Africa, Jo'burg	84.3	11.0	4.83
Tunisia, Tunis	84.0	3.5	1.50
Panama City	82.5	0.5	1.52
Malta, Valletta	78.6	4.5	0.57
India, New Delhi	77.5	6.1	47.18
Sri Lanka, Colombo	74.9	9.9	71.91
Pakistan, Karachi	73.0	7.5	40.20

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Monetary Authority

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■ Our client is a monetary authority in the Arabian Gulf with overall responsibility for directing monetary and banking policy and supervision over its implementation in accordance with the State's general policy.

■ Our client is now seeking to employ qualified professionals to help in achieving its mandate and to secure the required expertise and knowhow to enhance existing local talent. The positions are:

Bank Supervisor · Bank Inspector · Investment Manager · Investment Analyst · Foreign Exchange Chief Dealer · Chief Economist · EDP Manager · Legal Adviser

Bank Supervisor

■ The Bank Supervisor will be responsible for managing all financial analyses activities including financial statements and portfolios and for developing performance standards for conducting inspections.

■ The ideal applicant will be a qualified accountant (ACA, CPA), and/or a member of the Institute of Banking with extensive experience in banking and financial institutions. The individual should be aged 30 to 40 and possess excellent analytical financial and communication skills.

Bank Inspector

■ The main duties of the Inspector will be to carry out field inspections to ensure compliance with rules and regulations by the banks operating in the country.

■ The ideal candidate, aged 28-35, should have a proven track record in bank inspection. "Big 6" audit experience including banking clients and should be a qualified accountant, preferably ACA/CPA.

Investment Manager

■ The Investment Manager will be responsible for devising and implementing strategies for investment of funds on behalf of the authority including investments in money market, fixed income securities and foreign exchange, and for managing its investment department.

■ The ideal candidate should be aged 30-40 with at least five years experience in managing investments in a similar organisation, bank or financial institution.

Investment Analyst

■ The Investment Analyst will be responsible for managing a portfolio of investments in money market, fixed income securities and foreign exchange.

■ The ideal candidate should be aged 30-40 with at least five years' experience in managing investments in a similar organisation, bank or financial institution.

Foreign Exchange Chief Dealer

■ The Foreign Exchange Chief Dealer's role will be to lead a team of experienced FX dealers, controlling and monitoring their performance. He will be responsible for the appropriate management and control of all foreign exchange transactions in accordance with the Board of Directors and senior management instructions and guidelines.

■ The ideal candidate should be aged 30-40 with at least five years' foreign exchange dealing experience.

Chief Economist

■ The main objective of this senior position is to provide sound advice to the Board of Directors of the Authority on matters relating to macro-economic, fiscal and monetary policy, the review of national economic policies as they relate to the Authority and the preparation of economic reports and studies with emphasis on government monetary and fiscal policy, international trade and finance, gold and foreign currencies.

■ The ideal candidate for this position should have gained experience in a similar environment and hold a post-graduate degree from a recognised university and be aged 40 plus.

EDP Manager

■ The EDP Manager is a new senior role developed to provide greater co-ordination between the functional areas of the Computer Centre and the users. The main function of this position is to facilitate more dedicated management in enforcing and improving standards and procedures and the development of tools and techniques to be employed to improve operational efficiency and effectiveness.

■ Candidates, aged 35-45, will be a graduate in information technology preferably with a Masters Degree. They will have at least 10 years' experience in data processing with at least five of these in a senior role. Our client requires someone with a good knowledge of English plus excellent interpersonal, managerial and presentation skills. Sound experience is required in systems analysis and design, development tools, communication techniques and protocols, plus office automation, image processing and CD-ROM technology. Working knowledge of running an IBM mainframe computer and applications software such as Kapiti Banking System (KIBS) would be an added advantage.

Legal Adviser

■ The Legal Adviser will be responsible as a team member for providing sound advice to the Board of Directors and Senior Management on all legal matters connected with the Authority. He should have good knowledge of international banking and financial institutions and legislation.

■ The ideal candidate for this position should have gained experience at an advisory level and hold a Degree in law from a recognised university; be fluent in spoken and written Arabic and English, aged 40 plus.

GENERAL

■ Attractive tax free salaries will be paid plus free accommodation, annual return airfare on leave and other associated expatriate benefits.

■ Interested candidates should forward their CV together with a recent photograph before mid November 1993 to Ernst & Young, Executive Recruitment Division, P O Box 136, Abu Dhabi, United Arab Emirates. Fax: 010 9712 342968. Attention: Mr Sami Ali.

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- Graduate of high school or its equivalent.
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- A competitive package compatible with the candidate's length and level of experience will be offered to the selected candidate. This includes attractive salary, bonuses, allowance, travel air tickets, and medical treatment for the employee and his family.
- Applicants should send their C.V.'s accompanied with a recent photo and copies of qualifications and experience to the following address no later than one month from the date of this announcement.

THE MANAGER, MAN POWER & DEVELOPMENT DEPT.
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Candidates must already have the right to work in the UK or US respectively. A competitive salary package is offered.

Please forward your CV to Graham McDevitt at:

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Economists

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ACCOUNTANCY COLUMN

Marketing practice far from perfect

Kate Atchley says recent research reveals that many firms are still not meeting client needs and expectations

TO "understand your clients if you want to succeed," has become something of a platitude with which few practising accountants would argue. By now, they can be expected to have nurtured the necessary client-centred approach. Or can they?

Research carried out recently by Kato Communications and Gilchrist Practice Development Consultants shows accountancy practitioners to be way off the mark in meeting many client needs and attitudes.

The results deserve close attention, because the firms likely to succeed in the medium term will only be those which are effective in narrowing the gap between clients' expectations and clients' experience of the services provided.

The Kato survey polled a sample of smaller and medium-sized firms registered with the chartered accountancy institutes in England, Wales and Scotland, and excluded sole practitioners and the largest 20 firms. They were asked about their clients' views of their services. Gilchrist ran the same questions to clients themselves: typically companies with turnovers in the range £500,000-£2m.

The area generating the most striking disagreement was over fees. Accountants rate reasonableness of fees as a top priority for clients: 98 per cent said this was very important or important to their clients.

But only 47 per cent of clients agreed, arguing instead that fee levels are not fundamental to an assessment of their accountants. Even so, when clients were asked about fees, only 9 per cent rated their accountants as "good" or "very good" in setting reasonable fees.

Dissatisfaction with fees has been exacerbated by the economic downturn and growing competition from firms willing to undertake work at cut-throat prices. None the less, it presents a serious credibility threat for firms and deserves careful attention. The first step is identifying client attitudes to fees charged by the practice concerned.

Our survey* offers some useful clues to reducing clients' dissatisfaction with fees. For instance, 43 per cent of clients said they were unsure how fees are compiled – while just 23 per cent of the accountants thought clients needed more help in this respect.

Accountancy practices often apply double standards. They look for near-certainty from their own suppliers in respect of future charges; but they construct all kinds of fanciful reasons why they should not honour their own clients' preference for the same level of certainty.

Successful firms, it seems, should put an end to unnecessary obfuscation with many clients about fee levels and the compilation of bills. They could adopt monthly billing and improve their cashflow as a consequence.

Our survey showed that 45 per cent of clients would prefer their accountant's costs to be spread more evenly throughout the year. Estimates could be provided routinely for compliance work, with a clear specification of the work expected to be undertaken for the given fee.

However, this will only solve part of the problem. While the audit continues to be perceived as a low-value service, clients will want to buy as cheaply as possible.

Why do some firms appear to experience little or no resistance to their fees? Our best guess is that these accountants are succeeding where most are failing: they are delivering a more responsive, pro-active service to their clients.

Unprompted, 31 per cent of clients said they wanted their accountant to be more pro-active, to offer new ideas and to use more imagination when analysing their business. Astonishingly, and unprompted, a mere 0.2 per cent of the practitioners said that this was what clients were looking for!

Closing this expectations gap is going to be tough for the average firm. But successful attempts to get "on side" is bound to improve clients' sense of receiving value from their accountant, and to ease fee dissatisfaction.

This will not be simple to achieve. Many firms have reduced the number of senior staff during the recession; and partners have client lists too long to consider personally the individual needs of each as fully as they might wish.

Again, the firms which produce creative solutions to this conundrum will be ahead in a few years' time. Delegation and inculcating a client-centred approach throughout the firm can help a great deal.

The picture is not all gloom, however: 95 per cent of clients admitted to being satisfied or very satisfied with the services they received, which closely matched the accountants' estimate of 90 per cent satisfaction.

More than three-quarters of clients rated their accountants good or very good on issues such as rapport, accessibility of staff, technical expertise and responsiveness. Good rapport came out top with a 91 per cent rating, which augers well as a starting point for those partners bent on achieving greater client satisfaction overall.

This reinforces the maxim that "people first choose people". Clients choose accountants first and foremost because they regard them as people they expect to feel comfortable working with. It is no surprise to find that they are happy enough with the rapport achieved.

That said, the profession does seem to be slipping up in some mainstream areas: only 64 per cent of clients were satisfied with tax advice received, and 62 per cent with general business advice.

These responses appear to be linked to the call for a more pro-active approach. Perhaps tax planning advice may need to be resuscitated, after declining in prominence during the recession, and since many tax options have been closed in recent years.

Everyone is looking for better value for money. Both the accountants and the clients were asked to identify improvements which would achieve this. Aside from a more pro-active service, 38 per cent called for greater clarity of fees; and 10 per cent for more contact.

Amazingly, only 1 per cent of accountants saw improvements as a result of greater contact. But they indicated that spending less time on regulatory and compliance issues would help them concentrate more effectively on their clients.

Many complain of the pressures imposed by the regulatory authorities, growing inter-firm competition, rising bad debts during the recession, and the inability or unwillingness of clients to pay for the services during periods of low profitability.

What are the lessons? No matter how the economic and professional climate changes, a firm's best course lies in finding out what the client wants, and seeking to deliver it to the best of its ability. There may be scope for altering client expectations, but good practice development (alias marketing) consists of doing the right thing.

Equally, accountants are not using their clients sufficiently to generate new work. We found that 91 per cent of clients would be happy to recommend their accountant to other businesses if asked to do so. Among the accountants, 41 per cent claimed that they had asked their clients to pass on a recommendation. But just 5 per cent of clients had got this message. It seems that the scorekeepers are being too modest for their own good.

**The writer is managing director of Kato Communications. A summary of the research findings is available for £30 from Paul Osborne on 071-482-6242.*

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- An outstanding, qualified finance professional, aged c.35. Must be highly commercial, competitive and results orientated.
- Systems implementation experience, particularly MTMs software useful. Knowledge of treasury from multi-currency export environment essential, preferably within large international business.

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QUALIFICATIONS
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The basic salary will be up to £55,000.- per annum. Currently there is no income tax payable in Saudi Arabia.

In addition, expatriate benefits will include housing and car allowances, four weeks annual vacation with business class air fares for self and family, plus full medical cover in Saudi Arabia.

A full curriculum vitae should be sent to:-

Corporate Vice President
Project Studies & Implementation,
Alhamrani Group of Companies,
P.O. Box 1229, Jeddah - 21431
Saudi Arabia.

or Fax direct to: Fax (966) (2) 6833414

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In addition to this, an important emphasis will be placed on the implementation and development of key financial controls and sophisticated computer systems to enable management to closely monitor operations throughout the Group.

You will be an ambitious qualified accountant, aged in your late 20s to early 30s and working at a senior level within a 'Big 6' accounting practice or within the corporate centre of a substantial group. Essential attributes will include a strong technical background and a first-class knowledge of corporate tax issues. Experience of working within a manufacturing business would be advantageous.

*Interested candidates should write to **Charles Austin** or **Michael Herst** enclosing a full Curriculum Vitae and quoting reference CA447.*

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The successful candidate will hold an appropriate professional qualification and have a minimum of ten years post qualifying experience, including at least five years in a senior management role in a large organisation. The role also calls for a strategic and innovative thinker, with well developed communications and influencing skills.

If you believe you can demonstrate a proven track record and can meet these exacting standards, please send your CV by 19th November, quoting Ref: RD254 to Latham Consultancy Limited, Sumner House, St. Thomas's Road, Chorley, Lancashire PR7 1HP.

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Financial Controller

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Interested applicants should send a detailed CV, including remuneration details, quoting reference 2151/FT.

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Financial Controller

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In your late 20s to early 30s, you must be a qualified accountant. There is scope to gain broader responsibility, so you must possess the commercial vision and ability to work as part of a multi-disciplinary team. You will be innovative, practical and energetic. A proven and strong team leader, you will be able to deliver a first class service. You need a balanced management style and the ability to work at both a tactical and a strategic level. Broad experience and exposure to commercial decision making in distribution or production environments, with advanced systems and strong customer focus, will be an advantage.

If you have the requisite drive and experience, please reply in confidence by quoting Ref: 606 and sending your Resumé to Michael Fahey at Thornton Fahey, 1 Manson Place, London SW7 5LT. Tel. 071 584 6028, Fax. 071 823 7688.

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Applicants should be graduate, Chartered Accountants with a "Big Six" background and have at least 3 years' financial accounting experience gained with a major organisation. It is unlikely that a candidate under the age of 30 will have the relevant degree of experience. Excellent communication skills are key as is the ability to lead and motivate staff through a period of significant change. A practical orientation combined with the ability to work well in a team which includes professionals from non-financial disciplines, is equally important.

In the first instance, please write in confidence enclosing a CV to Digby Morgan Consulting, London House, 53-54 Haymarket, London SW1Y 4RP. Tel 071 925 0177. Fax 071 930 4261.

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Please reply in writing with full C.V. to Louise Dier, IMG, Pier House, Strand on the Green, Chiswick, London W4 3NN.

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Our client is a world leader in the production and manufacture of their commodity goods. The company is also involved in the associated activities of trading, distribution and service operations. Worldwide turnover approaches £4 billion, the company operates in over 30 countries and employs 17,000 people worldwide.

The Group's corporate audit function works closely with management of the operating subsidiaries, reviewing financial and operating controls and making commercially sound recommendations that impact the bottom line.

Following reorganisation within the function, the company is seeking to recruit a Regional Audit Manager, reporting to the Head of Corporate Audit. The post-holder will plan audit reviews and manage a small team on site. It is expected that 30% of the time will be spent abroad, in Europe, Africa or Australia.

The successful candidate will be a qualified accountant and an experienced internal auditor. It is equally important to demonstrate excellent training and supervisory skills and the ability to communicate at senior level. Previous experience a process manufacturing environment and/or commodity trading would be desirable.

This is an excellent opportunity to join a successful group and make a real contribution at operating level.

Interested candidates should send a full curriculum vitae, with a covering letter explaining their suitability for the post and details of current salary, to Jo Baker, Michael Page Finance, Page House, 39-41 Parker Street, London WC2B 5LH.

MP

Michael Page Finance
Specialists in Financial Recruitment
London Bristol Windsor St Albans Leatherhead Birmingham
Nottingham Manchester Leeds Glasgow & Worldwide

RESEARCH MACHINES

Financial Planning Manager

Oxfordshire **c £30,000 + Car + Benefits**

Research Machines is the UK market leader in providing information technology solutions to the education sector. In addition to their superb reputation for high performance and technical innovation, they are renowned for the quality of their service and after-sales support to customers.

An internal promotion has given rise to a challenging opportunity for an ambitious and talented accountant to manage the business critical position of Financial Planning Manager. The key to success will depend on the commercial interpretation of divisional plans, together with the ability to present the findings at Main Board level.

This is a dynamic role that will appeal to a graduate calibre qualified accountant, excited by the prospect of a senior and influential position which is certain to grow with the right person. The successful candidate will be highly PC literate, able to demonstrate excellent communication skills, have proven analysis experience and the drive to do an outstanding job.

Research Machines offers an attractive remuneration package including BUPA, staff share scheme and relocation where appropriate.

Interested applicants should write, quoting reference number BOW/167565 and enclosing a full CV, salary details and day time telephone number, to **Anne Wilkie ACA, Michael Page Finance, Windsor Bridge House, 1 Brocas Street, Eton, Berkshire SL4 6BW.**

Research Machines is an equal opportunities employer and vacancies are open to all people irrespective of race, sex or disability.

MP

Michael Page Finance
Specialists in Financial Recruitment
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CHIEF FINANCIAL OFFICER

SPECIALIST INSURANCE/REINSURANCE RUN-OFF COMPANY

c. £60,000 + CAR + Benefits — South West England

A very challenging management role for a qualified accountant with an in depth understanding of the Lloyd's and London market.

RESPONSIBILITIES

- Key member of the executive team. Report to the Chief Executive Officer and the Board on all financial and operational matters.
- Work closely with the CEO formulating corporate strategy and instigating short and long-term planning.
- Full management responsibility for 100 staff. Implement and constantly update working practices to obtain maximum efficiency. Close liaison with the Systems Department.
- Oversee the preparation and monitoring of budgets, forecasts, annual financial statements, credit control and treasury matters.

QUALIFICATIONS

- ACA or ACCA. Extensive knowledge of the insurance/reinsurance industry. Previous "Run-off" experience preferred.
- Energetic and enthusiastic manager with a strong commercial aptitude. Inspiring leader, profit orientated with pronounced negotiating and interpersonal skills. Age 35+

Please send a full CV with current salary and benefits to Nicholas Moore - Ref. 30476
All enquiries will be treated in the strictest confidence.

Moore Wilshaw
ASSOCIATES LIMITED
Insurance Recruitment Consultants
150 Minories, London EC3N 1LS

Telephone: 071-702 1033
Lloyd's Ext: 4500
Facsimile: 071-702 1034

Finance Director

Lancashire **c £40,000 + Car + Benefits**

Our client is a highly successful manufacturing company serving several niche markets within the Home Improvements/DIY sectors. They occupy a strong market position with ambitious plans for the future and wish to strengthen the board via the appointment of a high calibre Finance Director.

Reporting to the Managing Director, you will assume full responsibility for the financial management of the group encompassing monthly and annual reporting, budgetary control and systems development. You will be a key member of a closely knit management team and will be expected to provide strong financial leadership and have a significant influence on the future of the business.

Candidates will be qualified accountants, aged 33-45, who can demonstrate a strong track record of achievement to date, preferably within both small and medium sized company environments. A high degree of computer literacy and experience of integrated manufacturing systems will be essential along with the drive, initiative and enthusiasm to succeed in a fast moving business environment.

Interested applicants should forward a curriculum vitae to **Stephen K Banks ACMA at Michael Page Finance, Clarendon House, 81 Mosley Street, Manchester M2 3LQ.** Please quote reference 168782.

MP

Michael Page Finance
Specialists in Financial Recruitment
London Bristol Windsor St Albans Leatherhead Birmingham
Nottingham Manchester Leeds Glasgow & Worldwide

Price Waterhouse
EXECUTIVE SEARCH & SELECTION

Commercial Accountants

Leading edge communications and computing services

c.£28-35,000 + benefits London/North/South West

Part of a major multinational group, this new business unit has been established to provide communications and computing services to both internal and external customers. Rapid change and leading edge technology are key features of the business.

To support the business, a number of Commercial Accountants are required to participate in the operational and strategic development of the business and its underlying systems. Major responsibilities will include:

- Contributing fully to the commercial development and effective management of the units
- Producing and developing financial management information
- Financial analysis of the business in order to monitor and improve performance and to assist the units to assume full financial accountability
- Maintaining accounting records and control systems and ensuring compliance with financial reporting requirements.

To fulfil the requirements of these roles, you will need:

- A degree and a recognised accountancy qualification
- A minimum of 5 years post-qualification experience, some of which should be in industry, preferably working within the IT services or telecommunications sectors
- Sound knowledge of computerised accounting/project costing systems and techniques
- Experience of project design and contract negotiation
- Excellent interpersonal and communication skills and the ability to manage in a fast-growing and rapidly changing environment
- A willingness to travel throughout the UK on a regular basis.

These positions offer the opportunity to make a considerable contribution to an organisation working towards success in leading edge IT services.

Please write, enclosing a full CV and salary details to Heather Thomas, quoting reference F/1409 at the address below.
Executive Search & Selection, Price Waterhouse,
Milton Gate, 1 Moor Lane, London EC2Y 9PB.
Tel: 071-939 6341. Fax: 071-638 1358.

Jardines

Price Waterhouse
EXECUTIVE SEARCH & SELECTION

Accountants with Computer Audit expertise

c. £34,000 + car + benefits Central London

Founded in the 19th century, Jardine Matheson is one of the most respected names in the Far East, and worldwide. The Group has trading operations in 30 territories, with over 140,000 employees and annual sales of US$8 billion.

Initially based in the Internal Audit Department in London responsible for the Group's European operations, you will have the opportunity to become part of the international management team and take on a senior financial role within the Group.

To apply, you should be a Chartered Accountant, probably in your mid twenties to early thirties and ideally "Big Six" trained, with post-qualification experience gained either in the profession or in industry.

You will also have a detailed knowledge of current computer audit techniques and practices, likely to have been gained in the Computer Audit department of a major firm. In addition, you will possess commercial awareness and a good understanding of current and emerging business and management practices.

A good working knowledge of either French or Spanish would be an advantage, but is not essential.

If you have the requisite qualifications for a career within the Jardine Matheson Group, please send a full CV and a covering letter demonstrating your suitability for the role, quoting reference F/1410, to Heather Thomas at:
Executive Search & Selection, Price Waterhouse,
Milton Gate, 1 Moor Lane, London EC2Y 9PB.

Financial Accounting Manager

Fast moving consumer goods

to £35,000 + Car + Bonus

West Surrey

Our client is a European subsidiary of a multi-billion dollar American consumer goods Group. An established leader in its chosen market, it has gained a reputation for producing innovative but environmentally responsible products. The Group's identity is now synonymous with quality household name brands.

Recent internal promotion has created an excellent career opportunity for a Financial Accounting Manager to be based at the UK Headquarters. Reporting to the Finance Director and supported by a staff of six, responsibilities will include:

- managing all key financial accounting functions of the Company
- leading the implementation of mainframe accounting systems
- co-ordinating the budgeting/planning process
- analytical review of European Company results
- group reporting
- liaison with external advisors and government agencies
- company secretarial duties.

Applicants, aged 28-35, must be qualified accountants who can offer strong financial accounting experience and well developed PC skills. Personal qualities must include excellent communication and organisational skills together with a proven track record of managing and motivating people. Previous experience of implementing mainframe accounting systems would be highly desirable.

Interested candidates should write, enclosing a Curriculum Vitae and details of current salary, to: Tony Martin, Martin Ward Anderson, Goswell House, 134 Peascod Street, Windsor, Berkshire SL4 1DS. Alternatively, telephone him on 0753 830881. Please quote reference 0411.

MARTIN·WARD ·ANDERSON·

FINANCE DIRECTOR

A UK market leader in the manufacture of high quality garments, this autonomous subsidiary of a private group has grown both organically and by acquisition. The company's overseas business continues to expand and the current board is committed to the design and launch of new fashion ranges to penetrate a number of exciting market sectors. The increasing complexity of the business warrants the appointment of a new Finance Director.

Reporting to the Managing Director, the key thrust of this role is the development of systems to underpin current and planned changes aimed at introducing modern manufacturing techniques and the provision of first class management information to enhance decision making throughout the company. Responsiveness to customers and the rate of change within the industry are driving these requirements. In addition there will be responsibility for statutory accounts, treasury and cash management, the secretarial function and the day-to-day management of the finance team.

Ideally, candidates will be qualified accountants with a background in manufacturing who can demonstrate the ability to contribute to the overall management of the business. A challenging style, coupled with considerable energy, is essential for success in this demanding role.

Please apply in writing, enclosing a full career history, to David Kennedy, CEDAR International, 15 Bloomsbury Square, London WC1A 2LJ. Tel: 071-831 6383

KENT
To £40,000 + Car
+ Profit Share

CEDAR INTERNATIONAL
Corporate • Executive Development • and • Resourcing • Plc

DIRECTOR OF FINANCE & OPERATIONS

Buckinghamshire — Salary c. £50,000 + car allowance

Our client is a subsidiary of an entrepreneurial direct marketing company, with offices at locations throughout the world. A branch of this subsidiary currently directs sales to customers in the UK and to distributors throughout Europe and the Middle East, but it is seeking to expand its existing operations within the UK.

Since its inception in 1987, it has proved to be highly successful and it is now ready to recruit an experienced and ambitious Director of Finance and Operations who can help it to achieve its full potential.

Reporting directly to the Managing Director (Europe), the Director will also report regularly to the group's Head Office in North America. Responsible for developing financial, administrative, MIS and inventory control and for ensuring that operational resources respond rapidly to customers' needs, the incumbent will also have direct responsibility for finance and operations for a start-up operation in Germany. The individual must be dynamic, with proven leadership and management skills.

Candidates will be graduate qualified accountants, with at least three years' experience in a senior management and operational role in a fast-moving marketing and/or distribution environment. Mail order experience would be beneficial. Energy, enthusiasm and stamina will be required for this challenging but rewarding role.

Ideally aged between 32 and 45, good presentation and a professional manner are essential.

Interested candidates should send a full curriculum vitae, including details of current salary, to Carol Jardine, Managing Director, Whitney Selection, 17 Buckingham Gate, London SW1E 6LB, quoting reference number WS/108/1.

THE WHITNEY GROUP

WHITNEY SELECTION

FINANCE MANAGER

attractive salary plus benefits

Newcastle upon Tyne

INVESTOR IN PEOPLE

CHANGE: CAN YOU HANDLE IT ?

If so, you'll be interested in a career with Newcastle Building Society.

In today's intensely competitive marketplace, only those willing to adapt and change will survive. The Newcastle has been operating for over a century, and we intend to thrive well into the next.

Join us, and you'll come to one of the country's strongest building societies. We have a network of over 50 U.K. branches, as well as two offices in the Crown Colony of Gibraltar. Our subsidiary interests include an estate agency, an independent financial services company, and a building operation.

As Finance Manager, you will take up a new position to enhance our financial management team. Reporting direct to a member of the Society's Executive, you will assume overall responsibility for the accounting function.

You will have extensive experience of statutory accounts, budgets and their control, computerised management accounting systems, and PC spreadsheets.

With a strong track record of achievement, you will have the maturity, energy and interpersonal skills necessary to manage and effect change in a dynamic industry.

You must be a Chartered Accountant (ACA) with at least five years post qualifying experience, some of which should preferably be gained outside the profession.

You will be based in the centre of Newcastle upon Tyne, an energetic, attractive city with numerous leisure facilities and easy access to some of the U. K.'s finest countryside. Relocation assistance will be given where necessary.

For the right person, this is an excellent opportunity with real potential for career advancement. As well as an attractive salary, the rewards of working with the Newcastle include performance related pay, free life assurance, PHI and BUPA benefits, profit share and company car. A concessionary mortgage and contributory pension scheme are also available.

To apply, please send full c.v. including details of current salary/benefits to:
Mr. C. W. Jopling, Personnel Manager, Newcastle Building Society, Principal Office, Hood Street, Newcastle upon Tyne, NE1 6JP.

NEWCASTLE BUILDING SOCIETY
K E E P I T S I M P L E

Opportunities for Commercially-Minded Accountants

London base — £25,000 to £50,000 + car + benefits

Our client is one of the largest and best known international management consultancy practices in the financial services industry. To you, this means greater variety and more challenging assignments, the opportunity to work with major blue chip financial services organisations and the prestige that comes from being part of a consultancy practice renowned for the excellence of its advice and services. Career prospects are excellent, you will receive individually tailored training and you will be able to develop your financial and performance management skills in a demanding environment.

You will be joining a high quality team committed to the achievement of leadership in its marketplace. You will use your personal experience and skills in a variety of projects to assist their clients to identify and implement improvements in the management and measurement of their profitability, performance and costs. This will include such areas as management information, the linkage of performance measurement to business strategy, product and customer profitability and activity based costing. You will work at all levels up to and including the Board both in the UK and internationally.

You are a qualified accountant, with an excellent academic track record and relevant experience of profitability, performance measurement and costing issues. You will have at least two years' experience in the banking, building society or securities sectors either from a line role or from consulting to leading companies in these sectors. You must be commercial, creative, analytical and innovative with first class inter-personal skills. Age: mid 20's to early 30's.

Applicants should send a detailed c.v. quoting ref. FT1193/1 to:

Ian Tomisson,
Management Consultancy Recruitment Division,
Douglas Llambias Associates,
410 Strand,
London WC2R ONS.

DOUGLAS LLAMBIAS
RECRUITMENT CONSULTANTS

National Federation of Housing Associations

DIRECTOR OF FINANCE & CORPORATE SERVICES

£40k plus benefits Central London

The NFHA exists to promote and serve over 2,000 organisations striving to provide affordable social housing throughout England. The NFHA employs 100 staff committed to delivering quality services in the fields of representation to government, research, training, publicity and co-ordination. Your challenge is to support these services with high calibre financial management and corporate services.

The right candidate will be experienced in managing accounting and administrative staff, knowledgable on IT applications, a financial manager, aware of current personnel issues and a good communicator. Typically your recent experience will be in a similar position with a substantial and complex organisation.

If you want an informal discussion on the position, telephone Jim Coulter, the NFHA Chief Executive, on 071-278 6571 or Derek Joseph, the HACAS Consultant, on 071-609 9491.

For further details contact HACAS Limited, United House, North Road, London N7 9DP.
Tel: 071-609 9491,
Fax: 071-700 7599.
Closing date for receipt of completed application forms: Monday 22nd November 1993.

The NFHA is working to implement an equal opportunities policy.

HACAS
Consultants to the social housing, health and care sectors

EUROPEAN FINANCIAL CONTROLLER

The European subsidiary of a U.S.-based company in the Computing Services industry wishes to appoint a FINANCIAL CONTROLLER for European Operations, based in the Home Counties.

Reporting to the Vice-President, Europe, the successful candidate will be required to consolidate the accounting processes and financial reporting and control for the UK and Germany, and will assume responsibility for all aspects of the finance and accounting function.

Essential requirements are an acknowledged Accounting Qualification, several years experience in a multi-national environment, with ideally some knowledge of German.

A strong team player is needed, to join the management of this small but profitable and growing business.

A competitive remuneration package is on offer, including a Company profit-sharing scheme.

Suitably qualified applicants should send their C.V. with a covering letter to:-

The Personnel Manager,
C.C.S. Ltd., Charles House, 5 Regent St.,
London SW1Y 4LR

Controller - Financial & Tax Reporting

c.£35,000 plus benefits

- Financial Insurance Group is the UK's leading underwriter of Creditor Insurance. We are wholly owned by GE Capital, the diversified financial services arm of GE Company USA.
- This new opportunity has been created in our Finance Department and provides an excellent opportunity for personal growth within a fast developing and ever more sophisticated area of the Company.
- Main duties will include US and UK GAAP financial and taxation reporting, analysis of developments in these areas and their implications for the group and consequently experience in these areas is essential. Responsible to the Financial Controller this position will cover a wide range of both UK and overseas financial accounting and will require a broad experience base probably from within the insurance industry. European accounting experience would be an advantage and ACA/ACCA or equivalent qualification will be essential.
- This is an excellent opportunity to demonstrate the ability to work independently whilst supported by a professional and experienced team.
- Only candidates who closely match the experience criteria should apply. Applications should reach Chris Sutton, Personnel Manager, by 17th November 1993. Financial Insurance Group Limited, Financial House, Eaton Road, Enfield, Middlesex EN1 1YR.

FINANCIAL INSURANCE GROUP

FINANCIAL CONTROLLER & COMPANY SECRETARY

London (South Kensington) — **circa £35,000 plus Car**

Our client is a private financial services company whose interests include substantial personal investment portfolios, fund management, trust administration and property management. The Financial Controller and Company Secretarial position is considered a vital management role and will be fully involved with a wide range of financial and administrative issues.

Reporting to the Managing Director, the successful candidate will be responsible for the timely and accurate production of all statutory and management accounts via a small established team. Compliance, company secretarial duties, computer systems development and office management are all encompassed within the position.

Applications are invited from Chartered Accountants who can demonstrate tact, flexibility and a practical approach to achieving results in a small and friendly environment. Experience of the financial services sector is considered an advantage.

Based in attractive offices, the remuneration package includes a company car, non-contributory pension scheme and life assurance. There are excellent opportunities for long term career progression which will inevitably be linked to personal contribution and commitment.

Kidsons Impey
Search & Selection Limited
29 Pall Mall, London SW1Y 5LP
Telephone: 071-321 0336
Fax: 071-976 1116
UK, France, Germany, Italy, Austria, Hungary, Poland and Belgium

Interested candidates should send a comprehensive CV including details of current remuneration and a daytime telephone number, in confidence to Andrew Sales, FCCA, quoting reference number 581.

KIDSONS IMPEY

UNIVERSAL FLAVORS
A UNIVERSAL Foods COMPANY

FINANCIAL CONTROLLER

MILTON KEYNES — **to £40,000**

Universal Flavors, a division of Universal Foods Corporation based in Milwaukee, U.S.A., seeks a highly skilled Financial Controller for its U.K. operations which supplies mainly U.K. markets with a variety of high quality flavours and food ingredients.

Universal Flavors U.K., located in Milton Keynes is a multi million pound business, derived from four product groups: flavours, dairy, caramel, and essential oils.

The successful candidate will manage and supervise the Accounting, Treasury and Tax funcions for the U.K. operation as well as providing financial support for the European Managing Director. Proven abilities are necessary in the development and monitoring of Accounting controls and procedures.

Main duties will include managing the report of all financial matters to the company's Management Team and Division staff, identifying critical issues affecting the Company's current and Long Range Plan growth and development of action plans, preparing Capital and Operating budgets and participating in the formulation of the Long Range Plan and related strategies, performing financial analysis and special projects as required. Other responsibilities include managing banking and debt arrangements and monitoring foreign exchange exposure.

The successful candidate will be a graduate who is an ACA, or equivalent. The candidate's experience will include 7-10 years as a financial professional in commercial and/or public accounting with a minimum of four years at managerial level.

To apply, please forward a current CV with salary history to Marjorie Hancock, Universal Flavors Limited, Bilton Road, Bletchley, Milton Keynes, MK1 1HP, UK

European Financial Controller

Computer Software & Peripherals

Home Counties – Excellent Package Negotiable

The company is a leading direct marketer of microcomputer hardware, software and peripherals, with worldwide sales of more than $400 million this year.

The European operations have recently doubled in size to six countries and the Company is poised for further growth in the short-term. Consequently, as a result of internal promotion, an accomplished finance professional is required.

Reporting to the European General Manager the EFC will be responsible for control of all aspects of European finance including:

- Financial Control and Reporting
- Asset Management
- Business Planning and Forecasting

Will play a key role in ensuring the continued development and success of the European business as part of the European Management team.

Aged 35 to 45, candidates will have a recognised professional UK accounting qualification and a minimum of three years' experience in a senior European financial management role.

Good knowledge of German and/or French is desirable but not essential. Excellent people skills, a strong team approach and a "hands-on" attitude are essential.

Please send a full CV and remuneration details to Stephen Neel, All Selection, Brunnel House, 38 Savile Row, London W1X 1AG. Telephone: 071-287 9565

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FT/LES ECHOS

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Clare Peasnell
on 071 873 4027

FMS

BUSINESS UNIT FINANCE MANAGER

High Profile Involvement in Management of Change

NORTHERN HOME COUNTIES

£30-£40,000 PA PLUS BONUS AND CAR

Our client, a £multi-billion turnover UK group which operates internationally, is currently undertaking significant development of its financial controls and management reporting systems within a key business unit. As part of this major project [illegible] individual who can:

- Play a key role in the project [illegible] major change programme [illegible]
- Produce the systems specification for [illegible] change programme and thereafter implement the required business controls.
- Assume ongoing responsibility for the [illegible] unit's forecasting, budgeting and planning activities.
- Provide both a financial and management accounting service to the unit's management team.
- Provide incisive analysis of the business [illegible] performance, influencing senior management to ensure requisite actions are taken.

This is a demanding, yet rewarding, career opportunity for which the successful candidate will:

- Be a Qualified Accountant with previous experience of a large blue-chip organisation [illegible] fmcg or retail are all sectors of [illegible] to the client but are not [illegible]
- [illegible] experience including [illegible] accounting, but most [illegible] planning and analysis [illegible]
- [illegible] presence, well-developed [illegible] and a flexible, [illegible] flair and real commercial awareness.
- [illegible] project managing a [illegible] is desirable. Whilst [illegible] risk management would be [illegible], an affinity with the development of computerised systems is essential.

If you wish to discuss this exciting opportunity further you should write to Karen Wilson BA ACMA, at FMS, 5 Bream's Buildings, Chancery Lane, London EC4A 1DY enclosing a recent CV and a note of current salary.

A MEMBER OF THE PSD GROUP

FMS

FINANCIAL CONTROLLER

Dynamic Organisation With An Outstanding Growth Record

LONDON

PACKAGE: £40-£45,000

Our client, operates within the fast-moving, dynamic telecommunications and media sectors. In keeping with its well focused strategy, it is growing through a combination [illegible] of significant capital investment [illegible] acquisitions.

Currently poised at the [illegible] its development, it is [illegible] strengthen its management [illegible] appointment of a [illegible]

Reporting to the [illegible] responsible for the [illegible] operations of the business [illegible] include:

- implementation and development of relational-based accounting systems [illegible]
- control of annual capital expenditure (£75m)
- positive development and leadership of department (15)

- regular reporting to major shareholders
- development of financial policies and processes

[illegible] candidates will be graduate, [illegible] with a strong credible [illegible] excellent record of [illegible] to date. [illegible] involvement [illegible] provision of [illegible] evidence of [illegible] management [illegible] experience in a [illegible] capital intensive [illegible] can rise to the above [illegible] send your CV, together with a note of current salary to Shirley Knight BA, MBA, ACMA at FMS, 5 Bream's Buildings, Chancery Lane, London EC4A 1DY.

A MEMBER OF THE PSD GROUP

Exceptional career opportunities for Financial Professionals

Our client is a significant well financed plc with a turnover in excess of £350m. Their multi-site organisation based in the UK, also has operating units in the USA and Europe, involved in manufacture, distribution and processing. As a result of a major restructuring, they now wish to recruit the following highly motivated individuals to work in their Group Head Office in the West of England.

Group Accountant £45 - 50k

Reporting to the Financial Director and deputising for him in his absence, the post holder will head up a small dedicated Head Office team. This broad based strategic role encompasses formulating and managing all statutory reporting, taxation and treasury compliance and planning and overseeing the preparation of consolidated financial statements. The post holder will provide high level technical expertise in all Group financial matters and ensure accounting policies, procedures and systems are maintained to the highest standards.

Ideally aged 35-38, the successful candidate will be a chartered accountant qualified with a large firm, with a successful track record in the profession or an industrial environment. Current knowledge of plc reporting is essential. Outstanding communication and man management skills should be coupled with the experience to influence at all levels. This high profile role demands a person who is both detail conscious and able to take a strategic financial overview of this fast moving business.

Group Management Accountant £32 - 38k

Reporting to the Financial Director and working as a member of the Head Office finance team, the post holder will liaise closely with the Group Accountant and the Financial Director of each autonomously run operating unit, in order to produce an accurate analysis of the performance of the Group. This proactive role requires a person with well proven technical and interpretive skills who is able to take a strategic overview of each business in order to influence the budgetary and planning procedures. Other responsibilities will be to maintain an awareness of the developments in management accounting and ensure best practice throughout the Group.

This is an excellent career move for an ambitious qualified accountant aged between 28 and 35 whose experience will have been gained in a multi-site manufacturing plc. First class communication and interpersonal skills should be combined with an analytical and results driven personality. The role necessitates considerable travel to the operating companies.

Salaries for both posts are complemented by excellent benefits and career potential.

If you have the skills, experience and ambition to succeed in this fast moving company, please write with full CV to Mavis Would, KPMG Selection and Search, Richmond Park House, 15 Pembroke Road, Clifton, Bristol BS8 3BG. Telephone: (0272) 464000.

KPMG Selection & Search

Financial Controller

New challenging appointment for qualified professional with commercial outlook

Our Client is a highly profitable and competitive national high street retailer committed to rapid expansion over the next two years.

Current growth has created this appointment which will be to manage and develop a strong professional finance team in addition to ensuring full compliance for the Company's financial procedures.

Fully qualified with at least 5 years' post qualification experience within blue chip retailing, you will need to demonstrate strong analytical and financial management skills in this marketing and systems led business. Exceptional communication and team leadership skills are essential.

To apply, please send a full CV and salary details, to **Sue Kendall** at **Macmillan Davies, Salisbury House, Bluecoats, Hertford, Herts SG14 1PU. Fax: 0992 505301.** Please list any companies to whom you do not wish your CV to be forwarded.

Multi Site Retail

c £50,000+ Benefits

West London

Macmillan Davies

SEARCH & SELECTION

FINANCIAL DIRECTOR DESIGNATE

Our Client is the £150m turnover retailing subsidiary of a dynamic and progressive International Group. Recent operational reorganisations have resulted in a re-focusing of strategy for the 1990's and will enable the Group to stay firmly ahead of its competitors.

The role of Financial Director Designate represents a key appointment to a small senior management team. Reporting to the UK Managing Director and supervising a staff of 29, the emphasis of the role is upon strategic planning and the provision of clear financial advice. A charismatic finance manager with strong, hands-on skills is required to drive the improvement of information technology and financial reporting.

Aged 30-45, you will be a qualified Accountant preferably with a retail background. More importantly though, you will be ambitious and enthusiastic with a proven track record of achievement, especially in improving the profile of your finance function, and a common sense, commercial approach. Directorship prospects and future career opportunities, both within the UK and internationally, are outstanding.

Please apply directly to Richard Carter at Robert Half, 6 The Carronades, New Road, Southampton S02 OAA. Telephone: 0703 233131, or alternatively fax your details on 0703 231850.

c£60,000 + Benefits

(inc. share options and relocation)

South Coast

ROBERT HALF

THE HUMAN FACTOR

SENIOR FINANCIAL ANALYST

To £28,000 + Car + Benefits

Crawley W. Sussex

Owners Abroad is one of the UK's leading tour operators with a turnover in excess of £650m and a portfolio of well known brands that include Enterprise, Sovereign and Sunmed. It now seeks to recruit a young qualified Accountant to join their team of Financial Analysts.

Operating in a highly competitive market, the continued success of the Group depends on the financial support and appraisal of its marketing function.

Key responsibilities will include pricing, margin appraisal, strategy evaluation and sensitivity analysis.

To be considered for this challenging position you will be a young qualified Accountant with at least 18 months post qualification experience ideally gained within a fast moving commercial environment.

If you feel that you have the business flair and believe you can make an impact on the business please contact **Viv Blake** on **071-387 5400** or write to him at **Financial Selection Services,** Drayton House, Gordon Street, London WC1H 0AN. Alternatively fax your CV on **071-388 0857** (Quoting Ref: 24).

fss

Owners Abroad

TOUR OPERATIONS LIMITED

FINANZ DIREKTOR

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Please send your curriculum vitae and covering letter, quoting ref: GK5585, to Gary Katzler, Berkeley Scott Personnel Consultants, Berkeley House, 11-13 Ockford Road, Godalming, Surrey GU7 1QU.
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- UK based insurance operations of an international group.
- Capital raised in 1992 enables this group to pursue expansion overseas. Accordingly, these UK operations are well placed for future growth.

The Position:

- Principal responsibilities will embrace day to day financial control, systems implementation and regulatory compliance for a new London market underwriting operation.
- Other responsibilities will include financial group liaison and reporting for other UK based operations.

The Qualifications:

- Graduate accountant, ideally aged between 28-35 years.
- Experience must include:
  Systems implementation.
  Financial control.
  Completion of DTI returns for general insurance companies.
- Preference will be shown to candidates who also display the following experience:
  Office administration.
  Company secretarial duties and Tax compliance.

This opportunity will suit those individuals who are self starters but can work as a member of a small team. The international aspects of the group require that your communication skills are exceptional and represent a reliable conduit for financial information to the group's overseas headquarters. The role will develop with these operations. The Financial Controller would be expected to make a contribution to the business, be attentive to detail, accurate and yet timely.

Interested candidates should write enclosing full CV and details of current salary to Ref SA, HIH (UK) Limited, 8th Floor, 85 Gracechurch Street, LONDON, EC3V 0BH.

Corporate Finance Executive

Dawnay, Day & Co. Limited seeks a bright and dynamic self-motivated executive with professional training (Accountancy, Law or MBA) to join its Corporate Finance department. The position would suit a candidate with up to two to six years post qualification experience, preferably with some relevant practical skills.

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